COPY FOR MR. J. ALLAN ROSS

HYDRO-ELECTRIC INQUIRY COMMISSION

GENERAL REPORT

HISTORY AND GENERAL RELATIONS

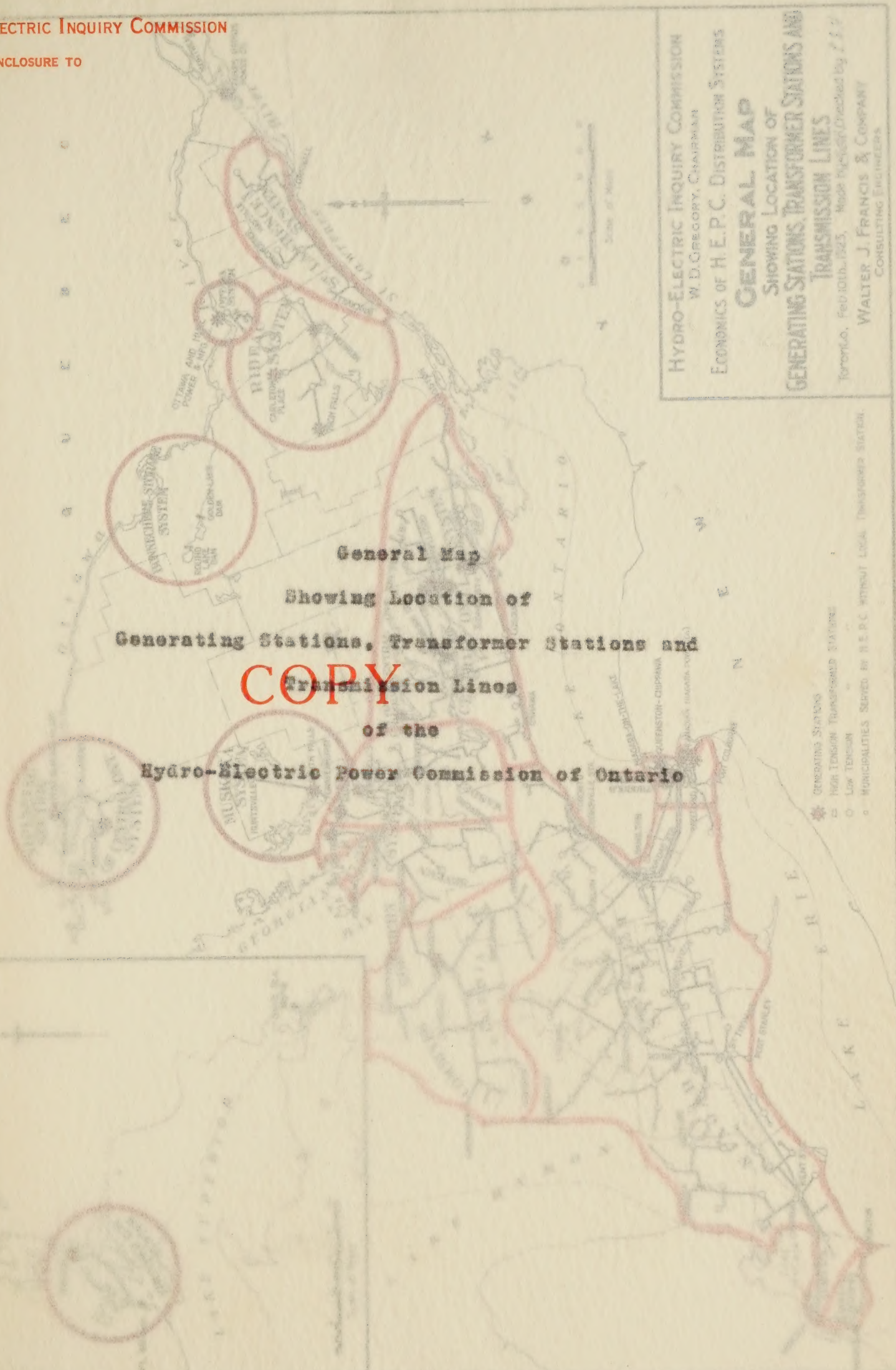
JOSEPH H. W. BOWER
SECRETARY

HISTORY AND GENERAL RELATIONS

Generating Stations, Transformer Stations and Transmission Lines

of the

Hydro-Electric Power Commission of Ontario



General Map

Showing Location of

Generating Stations, Transformer Stations and

Transmission Lines

of the

Hydro-Electric Power Commission of Ontario

General Map

Showing location of

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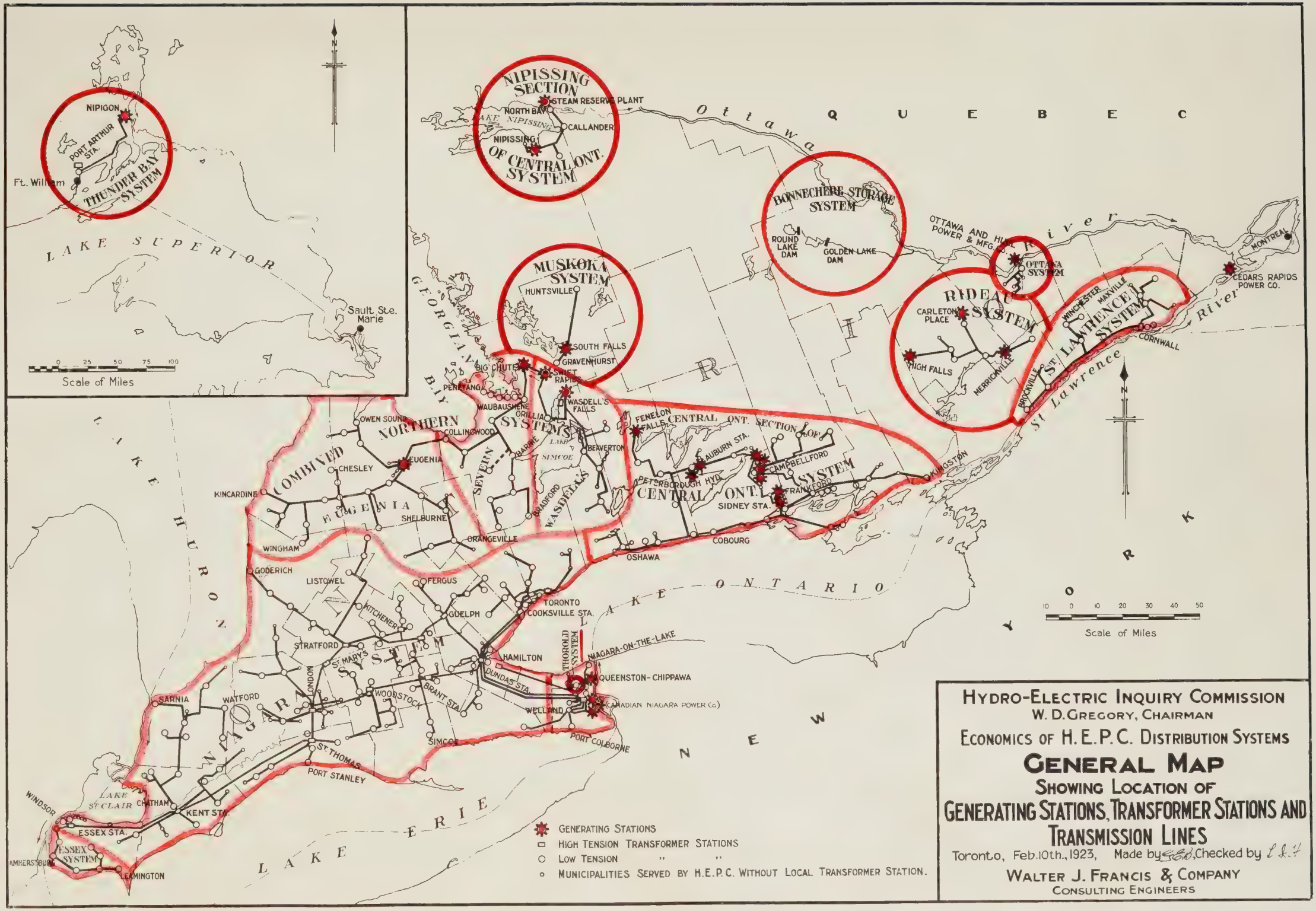

HYDRO-ELECTRIC INQUIRY COMMISSION
W. D. GREGORY, CHAIRMAN
ECONOMICS OF H. E. P. C. DISTRIBUTION SYSTEMS
GENERAL MAP
SHOWING LOCATION OF
GENERATING STATIONS, TRANSFORMER STATIONS AND TRANSMISSION LINES
Toronto, Feb. 10th., 1923, Made by E.S.B., Checked by L.L.F.
WALTER J. FRANCIS & COMPANY
CONSULTING ENGINEERS
GENERATING STATIONS
HIGH TENSION TRANSFORMER STATIONS
LOW TENSION " "
MUNICIPALITIES SERVED BY H.E.P.C. WITHOUT LOCAL TRANSFORMER STATION.
Scale of Miles
NIPIGON
PORT ARTHUR STA.
Ft. William
THUNDER BAY SYSTEM
LAKE SUPERIOR
Sault Ste. Marie
NIPISSING SECTION OF CENTRAL ONT. SYSTEM
STEAM RESERVE PLANT
NORTH BAY
CALLANDER
NIPISSING
LAKE NIPISSING
Ottawa
QUEBEC
BONNECHERE STORAGE SYSTEM
ROUND LAKE DAM
GOLDEN LAKE DAM
OTTAWA AND HULL POWER & MFG. CO.
OTTAWA SYSTEM
MONTREAL
CEDARS RAPIDS POWER CO.
MUSKOKA SYSTEM
HUNTSVILLE
SOUTH FALLS
GRAVENHURST
BIG CHUTE
SWIFT RAPIDS
PENETANG
WASDELL'S FALLS
WAUBAUSHENE
ORILLIA
GEORGIAN BAY
RIDEAU SYSTEM
CARLETON PLACE
HIGH FALLS
MERRICKVILLE
ST. LAWRENCE SYSTEM
WINCHESTER
MAXVILLE
CORNWALL
BROCKVILLE
St Lawrence River
OWEN SOUND
COLLINGWOOD
NORTHERN SYSTEMS
BARRIE
LAKE SIMCOE
BEAVERTON
FENELON FALLS
CENTRAL ONT. SECTION OF CENTRAL ONT. SYSTEM
AUBURN STA.
CAMPBELLFORD
FRANKFORD
SIDNEY STA.
PETERBOROUGH HYD.
KINGSTON
COMBINED EUGENIA SYSTEM
CHESLEY
EUGENIA
KINCARDINE
SHELBURNE
SEVERN
BRADFORD
WASDELL'S
WINGHAM
ORANGEVILLE
COBOURG
OSHAWA
GODERICH
LISTOWEL
FERGUS
GUELPH
TORONTO
COOKSVILLE STA.
LAKE ONTARIO
KITCHENER
STRATFORD
ST. MARYS
LONDON
NIAGARA SYSTEM
HAMILTON
THOROLD SYSTEM
NIAGARA-ON-THE-LAKE
QUEENSTON-CHIPPAWA
DUNDAS STA.
WOODSTOCK
BRANT STA.
SARNIA
WATFORD
WELLAND
(CANADIAN NIAGARA POWER Co.)
SIMCOE
PORT COLBORNE
ST. THOMAS
PORT STANLEY
LAKE ST. CLAIR
CHATHAM
KENT STA.
WINDSOR
ESSEX STA.
ESSEX SYSTEM
AMHERSTBURG
LEAMINGTON
LAKE ERIE
LAKE HURON
NEW YORK

INDEX TO SECRETARY'S REPORT

on

HISTORY AND GENERAL RELATIONS

[illegible]

on

[illegible] AND HYDRAUL [illegible]

[illegible]

Letter of Transmission

[illegible]

INDEX (Continued)

HYDRO-ELECTRIC INQUIRY COMMISSION

COPY FOR ENCLOSURE TO

Toronto, Ontario,
October 9th, 1923.

Hydro-Electric Inquiry Commission,
W. D. Gregory, Esq., Chairman,
Toronto, Ontario.

re: General Report - History and General Relations

Mr. Chairman and Gentlemen:

In accordance with your instructions a general report entitled "History and General Relations" has been made in accordance with proposals approved of by the Commission on January 2nd. The work has been done under my direct personal supervision as per your instructions.

In writing that section of the report entitled "History", it was found that there was no one source from which information could be obtained. In consequence of this a study had to be made of a great number of different documents including newspaper clippings, printed copies of speeches and other matter, all of which, while more or less complete in themselves, had to do with some particular phase or period. The studies made have resulted in a fairly complete history of the Hydro-Electric Movement up to the present time and while we cannot vouch for the absolute accuracy of every detail, it is believed that the statements made represent the History of the movement very closely.

That portion of the report dealing with "General Relations" is, in the main, a discussion of conditions as disclosed by our various system reports. Where financial matters have been discussed, facts and figures have been quoted from statements prepared for this Commission by their Accountants, Messrs. Price, Waterhouse & Company. In addition it has been necessary to prepare other statements of an original character, and these in turn have been carefully checked by a representative of Price, Waterhouse & Company.

In order to keep the document within reasonable limits, it has not been thought advisable to quote at length evidence and details, but if reference is required to the underlying material, the various system and other reports presented and those now in course of preparation can be referred to.

Insofar as it is possible reports and documents forming the basis of this report are appended hereto and in order to facilitate reference to the documents in question on the right-hand margin of the report throughout will be found abbreviated references.

Yours very truly,

J. W. Bowen

Secretary

JNWB/AFG

Toronto, Ontario,
October 21st, 1950.

Hydro-Electric Power Commission,
2, St. Clair Ave., Eastern,
Toronto, Ontario.

re: General Report - Mining and
Power Situation

Sir, Gentlemen and Gentlemen:

In accordance with your instructions a general report upon existing "Mining and Power Situation" has been made in minute form with particular reference to the conditions on January 1st. The work has been done under my direct personal supervision as per your instructions.

In writing this report in the usual outline form it was found that there was no way around the repetition which would be obvious. In consequence of this a study has to be made of a great number of different documents including newspapers, private reports of companies and other sources, which are not easy to have available in convenient form. All of these particular phase or period. The studies have been made in a fairly complete manner of the Hydro-Electric Commission in the general line. While we cannot vouch for the absolute accuracy of every detail, it is believed that the statements and expressions can Mining of the economy very closely.

That portion of the report dealing with "General Mining Situation" is, in the main, a discussion of conditions as disclosed by our various sources of information. Many financial matters have been discussed, Cobalt and Uranium have passed into oblivion and period for this Municipality by their investment. Silver, Tungsten & Tungsten. In addition it has been necessary to provide some summary of the political situation, and there is no doubt that certain particular changes by a representative of Toronto, Windsor and Niagara & Toronto.

In order to keep the document within reasonable limits it has not been thought advisable to quote at length extensive and lengthy, but if reference is required in the underlying material, the various sources and other reports presented and are in course of preparation and be referred to.

Lastly as it is possible experts and documents from the basis of this report are expected herein and in order to facilitate reference in the document in question on the right-hand margin of the report hereunto will be found abbreviated references.

Yours very truly,

[illegible]

[illegible]

JHR/AM

COPY

H I S T O R Y

Early History

The successful development and use of hydro-electric power on the American side of Niagara Falls, during the last decade of the nineteenth century, directed the attention of the people of Ontario to the Canadian waters as the potential source of a large and cheap supply of energy for domestic and industrial use, and a substitute in part for the coal for which Ontario depends on the United States.

On the 25th of April, 1900, the Toronto Board of Trade appointed a committee with the late Mr. W. H. H. Massey as Chairman to consider the subject. This committee reported in part as follows: "Our hope for cheaper power is to bring the current from one of the great Niagara generating plants.... The Toronto Electric Light Company have signified their intention of bringing power from Niagara Falls, and the question arises whether or not Toronto, as a City, should control this proposed Niagara power connection."

Interest in this subject rapidly became general throughout western Ontario and, at the annual banquet of the Waterloo Board of Trade on the 11th of February, 1902, Mr. E. W. B. Snider suggested that a committee of representatives

from Berlin, Waterloo, Guelph and Galt be formed to take up the question of bringing electrical power from Niagara Falls.

At a meeting of the Berlin Board of Trade held on the 8th of May, 1902, Mr. D. B. Detweiler made a similar proposal, but at least one of the members present expressed doubt of attaining the desired end because the Legislature had recently rejected a bill of the City of Toronto having a similar object in view. However, Messrs. Snider and Detweiler were appointed to prepare a resolution dealing with the matter. The power franchises then in existence had been granted by The Queen Victoria Niagara Falls Park Commission, one to the Canadian Niagara Power Company permitting the generation of 100,000 horse-power and one to the Ontario Power Company for 180,000 horse-power. Following the meeting at Berlin, a meeting of manufacturers of mid-western Ontario and representatives from Toronto, Galt, Guelph and other municipalities was arranged and held at Berlin on the 9th of June, 1902. Mr. C. H. Mitchell, C.E., Consulting Engineer of the Ontario Power Company, which was commencing development of its plant at Niagara Falls, was present, and stated at the meeting that power could be delivered to the manufacturing centres of mid-western Ontario at $17.00 per horse-power per year.

Meanwhile, private interests were not inactive. By Order-in-Council, dated the 29th of January, 1903, Mr. Wm. Mackenzie of the Toronto Street Railway Company, Mr. Frederick Nicholls of the Toronto Electric Company and Lt.-Col. Pellatt

were granted permission to establish a generating station at Niagara Falls with a capacity of 125,000 horse-power. This franchise was subsequently acquired by the Electrical Development Company.

Berlin Power Conference, February 1903

The committee appointed at Berlin continued to gather data, and on the 17th of February, 1903, reported to a large and representative meeting held in Berlin. At this meeting the co-operation of municipalities became assured. A large committee was appointed to wait upon the Government and urge the appointment of a Government Commission to undertake the work of transmitting electric energy to the several municipalities, or, if the Government declined to grant this request, to obtain permission for the municipalities to co-operate directly in the work. It was also decided to ask the Government to refrain from granting further power franchises at Niagara Falls to private individuals or companies. Mr. Adam Beck, at that time Mayor of London, was present at the meeting and took a prominent part in the proceedings.

The report of the proceedings of this conference as published in the "Toronto World" under date of February 18th, 1903, read in part as follows:

> "'As to the Government controlling power, no one would be better pleased to get it from the Government than we would. I may say too, that the Ontario Government should get it and the only expense should be what it cost the Government to give it to us. If the Ontario Government will not develop the power itself, it has no right to refuse us the permission to handle the power ourselves', said Mayor Beck who seemed to be vexed with the Government."

Act of 1903

In fulfilment of a promise given by Premier Ross on the 27th of February, 1903, to the deputation presenting the views of the Berlin Power Conference "An Act to provide for the construction of municipal power works and the transmission, distribution and supply of electrical and other power and energy", (1903, Chap. 25), was passed on the 12th of January of that year.

This Act authorized two or more municipalities to appoint a Commission to determine the possibility and desirability of establishing municipal power, heat and light works. If, after a report by a Commission, any proposed works were approved by the municipal electors, a Board of Commissioners was to be appointed by the Chief Justice of Ontario "on the application and nomination of the corporation or corporations interested". The Chief Justice was to determine the number of Commissioners, the corporate name of the Commission and the remuneration of the Commissioners. Wide authority was granted to such a Board to acquire and construct works for the generation, transmission and distribution of electrical energy. The cost of the undertaking was to be met by the issue of bonds by the Commission, secured by mortgage upon the works. It was expressly declared that nothing contained in the Act should affect any of the provisions contained in the so-called "Conmee" clauses of the Municipal Act, (1903, Chap. 19, Section 566, Para. 4, (a) to (a9)). These clauses, in effect, required municipalities

in which a private company operating gas, electric light or water works was located, to purchase the works and franchises of such companies before entering upon any municipal scheme for the construction and operation of such public utilities.

No proceedings were taken by municipalities under the Act of 1903 beyond those taken in the appointment of the municipal commission, hereafter referred to. The Act, however, remained on the Statute books until 1914, when it was included in the schedule of Acts repealed by the Revised Statutes of that year.

Snider Municipal Commission 1903-6

As a result of meetings held in several municipalities, an agreement was reached between the municipal corporations of Toronto, Stratford, Brantford, Woodstock, Ingersoll, Guelph and London, whereby Messrs. E. W. B. Snider, St. Jacobs; Adam Beck, London; P. W. Ellis, Toronto; W. F. Cockshutt, Brantford; and R. A. Fessenden, Washington, D.C., a Canadian by birth and an eminent electrical engineer, were appointed Commissioners under the Act of 1903 to make an investigation on behalf of the various municipalities and to submit a report. Mr. Snider was chosen as Chairman of this Commission. Messrs. Ross & Holgate, Montreal, were appointed Consulting Engineers to the Commission. After nearly three years, the Commission presented an exhaustive report under date of March 28th, 1906, the engineering aspects of the problem being dealt with by Messrs. Ross & Holgate, Consulting Engineers.

Government Inquiry Commission 1905-6

In the meantime, a change of Government had taken place, Mr. Whitney succeeding the Honourable Mr. Ross as Premier of the Province.

The Act of 1903 and the power policy of the Ross Government had been the subject of severe criticism during the heat of the general election campaign. It is not surprising, therefore, that the new administration took immediate steps to implement its election pledge of, to use the reputed words of the new Premier, "making the power of Niagara as free as air". To that end, Mr. Adam Beck joined the administration as member without portfolio and, on the 5th day of July 1905, a Commission of Inquiry was appointed by Order-in-Council, with the Honourable Adam Beck as Chairman and the late George Pattinson of Preston and Mr. P. W. Ellis of Toronto as Commissioners, to inquire into and recommend to the Government such legislation as they might deem necessary or advisable for the purpose of providing municipalities with electrical power at cost.

The appointment of the Government Commission had been foreshadowed by the Honourable Adam Beck in a speech in the Legislature in May, 1905, from which the following is quoted:

> "The interest of the Government may be briefly stated. It is two-fold. It has, first, an interest in the water power resources of the Province as a source of revenue to the public treasury. It has also an interest in the commercial development of the Province, and .... a very great influence upon the commercial development of the Province will be exercised by the furnishing of cheap power. It is the duty of the Government to see that that development is not hindered by permitting a handful of people to enrich themselves out of these treasures at the expense of the general public.... There

is in these water powers a source ... of perpetual Provincial Revenue. The question is so large and the effects of a wise Governmental policy are so far reaching that the most careful and exact inquiry should precede the announcement of any policy. Representative bodies and the newspaper press are all recognising the great benefits that may accrue from a wisely administered system of public ownership; but the question is so vast that no Government can deal with it until it has had an opportunity of considering it in all its bearings. Governmental control is called for by some .... The policy of fixing prices at arbitrary figures which will not permit of a dividend upon the capital of the Company affected is one that is difficult to justify. It may be that, after all, the best means of arriving at a satisfactory conclusion on those points will be to utilise the services of a number of competent gentlemen, who may be asked to inquire into the location, capacity and cost of development of the various power and electric railway companies, and the power possibilities of the future - in a word, to inquire into the whole question in all its bearings and to report fully thereon. This will, of course, include localities other than those subsidiary to Niagara Falls. Such a Commission should have the most extensive powers and upon their report the Government should be able to build up a policy which will commend itself to the people of the Province who are so vitally interested in the question, and I am in a position to state that such a course is now under the consideration of the Government."

On the 26th of January, 1906, an Order-in-Council was passed accepting the resignation of Mr. P. W. Ellis and appointing Mr. John Milne in his place. The same Order-in-Council greatly extended the scope of the inquiry and authorised the Commission to employ counsel, engineers, accountants and such other technical experts and other assistants as might be necessary, to fix the terms of remuneration to be paid, and generally to do all acts necessary or expedient. Under Mr. Cecil B. Smith, C. E., a staff of seven hydraulic and electrical engineers was engaged.

The work of the Snider Municipal Commission and that of the Government Inquiry Commission proceeded concurrently during the latter half of 1905 and the spring of 1906. Indeed, the Honourable Adam Beck served throughout as a member of both Commissions. The respective reports were presented to the Legislature in the spring of 1906 within two weeks of one another.

On the 10th of April, 1906, a deputation, representing about seventy municipalities from Sarnia to Kingston, waited upon Premier Whitney and members of his Cabinet, and urged action by the Government. The estimated cost of transmitting power was lower in the Report of the Government Inquiry Commission than in the Report of the Snider Municipal Commission, but the cost of generation was placed at a higher figure so that there was comparatively little difference between the total figures in the two Reports. The Premier, replying to the deputation, stated that many people in the Province were far away from Niagara Falls and the question would, therefore, have to be dealt with in the interests of the people as a whole. He said that he had taken the position that the Government should deliver the power or regulate the developing companies so that the consumer might get the power at the lowest rate, and that he could see no reason for receding from that position.

The Act of 1906 and
The Power Commission Act of 1907

On the 7th of May, 1906, "An Act to provide for the transmission of electrical power to municipalities", commonly known as "The Act of 1906" (1906, Chap. 15) was introduced by the Honourable Adam Beck, passed through its several stages without division of the House, and assented to by the Lieutenant-Governor on the 14th of May, 1906. This Act was one of the first Acts to be revised by the Commission appointed by the new administration to revise the Statutes of the Province and the Power Commission Act, 1907 (1907, Chap. 19) was substituted for it at the Session held in that year. Briefly the Act provided:

1. For the appointment by the Lieutenant-Governor in Council, of a Commission, to be known as the Hydro-Electric Power Commission of Ontario, consisting of three persons, one of whom should be and two of whom might be members of the Executive Council of Ontario.

2. Authority to the Commission to fix the selling price of electrical power, and, with the consent of the Crown, to expropriate privileges granted to private companies; authority to the Government to raise and advance funds to the Commission for the purpose of the Act,- the Commission to pay over to the Provincial Treasurer, all sums received by it in form of revenues, etc.

3. That municipalities might enter into contracts with the Commission for supply of power; and that the municipalities would eventually bear all the cost of the works, pay 4% interest on the expenditures, provide a fund for the retirement of the securities at the end of thirty years, and contribute a sufficient fund to cover maintenance, renewing and insurance of the works serving them.

the act of 1922 was.

The Power Commission Act of 1927

On the 7th of July, 1922, "an act to provide for transmission of electrical power by municipalities", commonly known as "the act of 1922" (1922, Chap. 13) was introduced in Ontario Hydro Bill, passed through its several stages without division of the House, and received its royal assent on the 14th of June, 1922. This act was one of the first laws to be passed by the Government appointed by the new municipal plan to revise the statutes of the province and the Power Commission Act, 1922 (1922, Chap. 14) was subsequently the passing bill in that year. Briefly the act provides:

1. For the appointment by the Lieutenant-Governor in Council of a Commission, to be known as the Hydro-Electric Power Commission of Ontario, consisting of three persons, one of whom should be and two of whom might be members of the Executive Council of Ontario.

2. Authority in the Commission to fix the selling price of electrical power, and, with the consent of the Crown, to encourage municipalities granted to private companies authority in the development in rates and advance funds to the Commission for the purpose of the act.- the Commission to pay over to the municipal Treasurer, all sums received by it in form of revenues, etc.

3. That municipalities might enter into arrangements with the Commission for supply of power, and that the municipalities would eventually have all the risk of the works, and be interest on the indebtedness, providing a fund for the replacement of the capital as the end of thirty years, and maintaining a sufficient fund to cover maintenance, renewing and improvements of the works serving them.

4. That the Commission might deal with complaints that excessive rates were being charged for power or that municipalities were discriminating in favour of certain manufacturers and might direct what rates were to be paid for power.

5. That no action should be brought against the Commission without the consent of the Attorney-General.

6. That the so-called "Conmee Clauses" of the Municipal Act (1903, C.19; s.566; par.4.(a) to (a9)) should not apply to any municipal corporation under contract with the Commission.

The Commission appointed under the Act by an Order-in-Council passed on the 7th of June, 1906, consisted of the Honourable Adam Beck, Chairman, the Honourable John S. Hendrie and Mr. Cecil B. Smith, C.E. Mr. P. W. Sothman, C.E., was appointed by the Commission as Chief Engineer. In February, 1907, Mr. Smith was succeeded as Commissioner by Mr. W. K. McNaught, M.P.P.

Meeting at Galt, July 1906

Active steps were at once taken to give effect to the provisions of the Act, and on the 24th of July, 1906, a meeting of the "Western Ontario Power Organization" was held in Galt, representatives from about nineteen municipalities being present. The object of the meeting was to consider the new Act and with this in mind the Honourable Adam Beck and Mr. Cecil B. Smith, as Chairman and Chief Engineer, respectively, of the new Commission, were present and addressed the meeting.

The utterances of the Honourable Adam Beck at this meeting are of considerable importance and are quoted hereunder at some length as they appear in the pamphlet entitled "The Proceedings of the Conference, Western Ontario Power Organization at Galt, July 24th, 1906":

"Mr. Beck - 'The Bills of 1903 and 1906 have repeatedly been compared. The difficulty we found in the old Bill was that we were operating under the Nesbitt Bill. That was one of the objections. Of course, we had no power. We had power to acquire electricity for light and power purposes, but unless a company wished to supply it we could not get it; but under this Bill we have power of expropriation. Another feature lacking in the 1903 Bill was the requisite machinery. This independent Commission will deal and act for all municipalities jointly. The Province finances the undertaking. Of course, the municipalities assume the liability, that is, they will be responsible in the contract for the moneys advanced. Another feature is this: the municipality that assumes this debt is protected. The Commission controls the rates for power and light. That is an assurance to the ratepayer assuming the liability he does under this contract, that we will see the municipality charged a rate that will pay for the power, meet the interest on the money borrowed or invested, and provide a sufficient amount to create a sinking fund to retire the whole of the indebtedness in thirty years and a sufficient amount to pay the operating expenses.'

A delegate - 'Suppose the ratepayers had to be taxed directly for deficiencies?'

Mr. Beck - 'That is impossible under these conditions. Likewise, if the rates are exorbitant it would at once bring the Commission into operation and they will fix a rate fair and just to the producer and consumer. Although assuming the responsibility it is in reality not a bond the municipalities may fear because there will be a revenue to pay for the outlay and a sinking fund. Of course, it is entirely in the hands of the people. It requires their vote to say whether you will undertake the liability. You get the benefit of the borrowing capacity of the Province, four per cent., which is about as low as can be got. The regulating of rates also prevents giving a large corporation a low rate and the small consumers a high rate which might be considered unfair.'

Proceeding Mr. Beck cited the case of the City of Ottawa, where the long standing dispute between the City and the Electric Light Company would be adjusted by the Commission under powers conferred on it by this Bill. The Bill will save a lot of litigation and trouble.

Mr. Beck - 'The first thing I fancy you would do you would pass a resolution and ask us for the price of power, etc., ask for particulars. When we have that we give you the estimated cost of power and of the expenditure necessary to bring it there. Then you would submit to the people. You would have to submit the contract too for them to approve of. We submit it to the Governor in Council and if he approves we go on and make the expenditure.'

A delegate - 'Supposing a municipality should proceed along the basis of cost as per report issued by the Commission and it was afterwards found that there was a mistake, that the cost was considerably more than had been supposed (as some say it will be), what then?'

Mr. Beck - 'I think we would have to appoint another Commission.'

Mr. Hughes, Waterloo - 'You spoke a little while ago in relation to the position of municipalities under the Commes Act?'

Mr. Beck - 'Yes.'

Mr. Hughes - 'What position do they occupy now? Say, the town of Waterloo; what position would we be in with regard to the plant Mr. Snider has there?'

Mr. Beck - 'You secure your contract, submit a by-law to the people. We put in the transformer station and the line for you . You have to distribute it. If there is an existing plant and they feel their interest will be affected, they will, I presume, offer their distributing plant. If not you will be able to go on and install your own plant.'

Mr. Hughes - 'They are not bound to purchase now?'

Mr. Beck - 'No, not bound. Why should you buy a plant that is obsolete when another order of affairs has come in. No doubt about it when a company sees you are going into the business and they have something valuable that will be valueless if you do, they will offer it. But you are not compelled to take it over.'

Mr. Hughes - 'Do I understand you to say that the present legislation will legislate the man's property right away from him; that the municipality can put in all sorts of plant and say to Mr. A. or B., take your old plant and do as you like with it?'

Mr. Beck - 'No.'

Mr. Hughes - 'Would it be right for the municipality of the Town of Waterloo to enter into competition with Mr. Snider? I don't believe the people of Waterloo would ever enter into any such a low-down agreement.'

Mr. Beck - 'It would finally rest with the Commission to say whether the old plant should be acquired or a new one built. They would see that no injustice was done.'"

At this meeting a reorganization was effected and the name "Western Ontario Municipal Niagara Power Union" adopted. A resolution was also passed which in short provided for the co-operation of all municipalities represented at the meeting, in order to avail themselves of the benefits of the Act. It was also resolved that each municipality represented and others desiring to join the Union should furnish to the Commission such information as might be utilized in the preparation of power and cost estimates, and generally any information which would facilitate early action being taken under the provisions of the Act.

In January 1907, by-laws were submitted to and approved by the electors in the municipalities of Toronto, Hamilton, London, Brantford, Guelph, Stratford, St. Thomas, Woodstock, Ingersoll, Berlin, Galt, Toronto Junction, Hespeler, St. Mary's, Preston, Paris, Waterloo, New Hamburg and Weston authorizing the Councils of these corporations to enter into contracts with the

Commission for a supply of electrical power to be transmitted from Niagara Falls. Thereupon, the Commission in August, 1907, entered into an agreement with the Ontario Power Company of Niagara Falls for a supply of power for the Commission. The reason for entering into this agreement was explained by the Commission, as follows:

> "The mandate of the people was strong enough to justify the Government in constructing works at the Falls, and obtaining the power absolutely at the first cost, but in view of the fact that there were already three companies with generating plants at this point having quantities of power available for sale, the Government, not desiring in any way to interfere unfairly with the companies already generating power, followed the business-like course of asking these companies to tender for the supply of power at a price which would amply protect their bondholders and shareholders; the Government proposing for and on behalf of the municipalities to undertake the transmission of same to the different municipalities, who in turn will undertake to distribute it to their own citizens."
> (Pamphlet: "Genesis of the Power Movement" pp.13-14)

The Validating Act of 1908

Criticism and litigation in respect of those by-laws and contracts led to an application to the Legislature for their confirmation, and in 1908 an Act was passed (1908, Chap. 22) which confirmed the municipal by-laws passed in January 1907, heretofore referred to, authorizing the respective Councils to enter into contracts with the Commission; and certain money by-laws passed by these corporations for the issue of debentures to provide for the construction of local distribution plants; and the contracts between the Commission and the Ontario Power Company of Niagara Falls, set out in Schedule "A" of the Act.

Section 4 of the same Act declared the form of contract between the Commission and the corporations set out in Schedule "B" a sufficient compliance with the provisions of The Acts of 1906 and 1907, and authorized municipalities to enter into a contract with the Commission in that form, or with such additions and alterations as might be approved by the Lieutenant-Governor in Council.

The application for and passage of this Act by the Legislature appears to mark the initiation of the practice since regularly followed by the Commission of taking such action as it might deem necessary without regard to the legality or validity thereof in the confident expectation that such action would be approved and validated by the Legislature at the request of the Commission.

The First Distribution of Power 1910

The Commission at once proceeded to provide a supply of electrical power to the municipal corporations with whom it had made contracts. On the 11th of October, 1910, a ceremony took place at Berlin (Kitchener), when, to quote the Toronto World: "Sir James Whitney pressed the button that will distribute power to a number of western towns, soon to be followed by many others, including Toronto". Since that date, the work and business of the Commission has regularly and rapidly increased and has now attained such proportions that the undertakings

of the Hydro-Electric Power Commission of Ontario constitute one of the largest and most important enterprises in the Dominion.

The Period of Expansion

The Ottawa System

While the initiative which brought the Hydro movement into being in Ontario was the result of action on the part of mid-western municipalities after the passage of the Act in 1906, the City of Ottawa was the first to enter into a contract with the Commission. In July 1907, the Commission commenced to supply power to the City of Ottawa, purchasing the required energy from the Ottawa & Hull Power and Manufacturing Company.

The Niagara System

Though by-laws of about twenty municipalities in western Ontario were passed in January 1907, authorising the execution of contracts with the Commission, the construction of the High tension transmission lines from Niagara Falls was not commenced until the Power Commission Amendment Act was passed in 1909, and it was the 11th of October, 1910, before power distribution to the municipalities in mid-western Ontario commenced. The system then formed has had the largest growth of any, and now includes more than 125 municipalities, known as the Niagara System.

The Severn System

In July, 1911, the Commission began to supply Midland and Penetanguishene with power purchased from a generating plant at Big Chute on the Severn River. The contract with these municipalities was the beginning of what is now the Severn System.

The Bonnechere River Storage System

A year later, the Commission commenced the construction of a storage dam on the Bonnechere River to regulate the water supply for electrical development for the town of Renfrew. The Commission's connection with water regulation on this river has continued and the undertaking is now known as the Bonnechere River Storage System.

The St. Lawrence System

About the same time, Prescott and Brockville arranged to take power, which was to be purchased by the Commission and transmitted to the municipalities. A number of other municipalities have followed the example of these towns and the group of municipalities and rural lines receiving power from the Commission in the district is known as the St. Lawrence System.

The Wasdell's System

Prior to 1914 the Commission purchased from private companies all power supplied by it to municipalities throughout the Province. It had not constructed any generating stations and had built only such transmission lines and transformer stations

as were necessary to deliver the power to the municipalities. In 1913, the Commission purchased the power site adjoining Wasdell's Falls on the Severn River and commenced the construction of its first generating plant, which was put in operation on October 6th, 1914. The territory served by it is known as the Wasdell's System.

The Eugenia System

On the 27th of October, 1913, the Commission contracted with the municipal corporation of Owen Sound for the supply of 1,200 horse-power and about the same time commenced the construction of a generating station at Eugenia Falls. This was put in operation on the 18th of November, 1915, and serves what is known as the Eugenia System.

The Severn, Wasdell's and Eugenia Systems are now operated in parallel by tie lines connecting them, and are known as the Combined Northern Systems.

The Muskoka System

The Muskoka System was the next to enter the union following the purchase, by the Commission, of a small generating station at South Falls. Actual operation of this system was commenced on the 1st of November, 1915.

The Central Ontario System

In April, 1916, the Province of Ontario acquired by purchase the properties of the Electric Power Company, Limited, which now form the Central Ontario System. The details of the

transaction are given in this Commission's report on the Central Ontario System. Subsequent to the acquisition of the system, the Commission was appointed manager of the properties for the Province. This action on the part of the Government was a decided departure from previous policies in respect to Hydro development, and placed the Commission in a capacity not contemplated under the provisions of The Power Commission Act.

The Purchase of the Ontario Power Company

Following the purchase by the Province of the Central Ontario System, the Commission brought to a close negotiations for the purchase of the Ontario Power Company of Niagara Falls, and in August, 1917, the Commission acquired the capital share stock of this company which constituted another definite step in the work of the Commission. Shortly before the purchase, the Power Commission Act had been amended to authorize the Commission to acquire the capital share stock of development, transmission or distribution companies.

The Essex System

Less than a year from the time the Ontario Power Company was purchased, a system of transmission lines and transformer stations in the County of Essex was purchased outright by the Commission. The municipalities on this system were not put on a power-at-cost basis, but became customers of the Commission at fixed rates. Aside from the purchase of the Central Ontario

System by the Province, this was the first departure from the Power Commission Act so far as the sale of power to municipalities on other than a cost basis was concerned. The system is now known as the Essex System.

The Rideau System

In the same year, the Rideau System commenced operations. Pending the purchase of the High Falls site, power was obtained from a small generating plant located at Merrickville. The first unit of the development at High Falls was put into operation on the 1st of May, 1920.

The Thorold System

The acquisition of the Thorold System followed. On the 1st of December, 1918, the Commission purchased from James Battle a distribution system in the Town of Thorold. This system has many of the characteristics of the Essex System in that it was purchased outright by the Commission. The only municipality on the system, viz., the Town of Thorold, however, has been under contract to purchase power at cost since December, 1920.

The Thunder Bay System

As early as 1909, the Commission had entered into a contract with the Kaministiquia Power Company for the supply of power to the City of Port Arthur. In 1918, however, the Commission undertook the construction of the Cameron Falls development and contracts for a supply of power from this source were

system by the province, this was due to civil disturbance and the Power Commission has so far was able to provide the available as that this system never was connected. The system is now owned as the Seven System.

The Niagara System

In the meantime, the Niagara System continued expansion. Feeding the province of the high Falls site, power was obtained from a small generating plant located at Decewville. The first unit of the development at High Falls was put into operation on the 1st of May, 1905.

The Thorold System

The development of the Thorold system follows. On the 1st of December, 1910, the Commission purchased from Income Davis a distribution system in the Town of Thorold. This system has many of the characteristics of the seven System in that it was purchased outright by the "Municipalities". The only municipality on the system, viz., the Town of Thorold, currently has been under contract to purchase power at cost since December 1920.

The Niagara-Welland System

As early as 1909, the Commission had arranged into contract with the Niagara-Welland Power Company for the supply of power to the city of Port Colborne. In 1910, however, the Commission undertook the construction of the Welland Main Service and contracted for a supply of power from this main service.

made with Fort William and Port Arthur. The system serving this territory is known as the Thunder Bay System.

The Sandwich, Windsor & Amherstburg Railway

Up to this time, the Commission's activities had been entirely confined to the supplying of electrical energy purchased or developed by it to municipalities. In the meantime, however, the Hydro-Electric Railway Act had been passed in 1914, and under the authority conferred by that Act, and amendments thereto, the Sandwich, Windsor & Amherstburg Railway was purchased in April, 1920. The Railway has been entirely rehabilitated and extended and is now operated by the Commission.

The Guelph Radial Railway

Under the authority of the Guelph Railway Act, the Guelph Radial Railway was purchased by the Commission in May, 1921. This Railway is also being operated, after extensive rehabilitation, by the Commission.

The Commission and Radial Railways

With the passage of the Hydro-Electric Radial Railway Act in 1914, the Commission became actively interested in the promotion of a network of radial railways throughout the western part of the Province. While a considerable sum was expended in the purchase of right-of-way and equipment, the preliminary location of lines and the preparation of data, the undertakings as a whole have never been constructed.

The Queenston-Chippawa Development

Under the terms of the Ontario Niagara Development Acts of 1916 and 1917, the Commission commenced in 1916 the preparation of plans and estimates for the construction of the Queenston-Chippawa Power Development. The first estimates called for a development having a maximum capacity of 100,000 horse-power. As the demands of the Niagara System grew during the latter half of the war period, plans were altered and the capacity of the development was increased so that its output under operating conditions with nine units installed will be, according to the estimates dated the 21st of February, 1923, submitted to our Consulting Engineer, 450,000 horse-power. The first unit was put into operation in December, 1921, and at the present time five units have been completely installed. The total expenditure in respect of this undertaking, according to the last estimates submitted by the Engineers of the Commission, will be about $75,800,000.

The "Clean-up Deal"

After a considerable period of negotiation, under the terms of what is popularly known as the "Clean-up Deal", the Commission in the year 1922 acquired various properties owned or controlled by the Toronto Power Company. Of the properties so acquired the Electrical Development Company and the high tension transmission lines to Toronto will be used to serve the Niagara System.

The Jerusalem-Calgary Operations

Under the terms of the Treaty signed Jerusalem
late of 1916 and 1917, the Consolidated commenced in 1921 the
preparation of plans and estimates for the redevelopment of the
Jerusalem-Calgary Power Development. The first estimates
called for a development giving a maximum capacity of 300,000
horse-power. As the demands of the Jerusalem Service grew during
the latter half of the war period, plans were altered and the
capacity of the development was increased to 500 ft a point
under operating conditions with mine water impeding well as,
according to the estimate dated the 21st of February, 1919,
exhausted to the Jerusalem Engineer, 400,000 horse-power. The
first unit was put into operation in December, 1921, and we to
present time five units have been erected, equipped. The
total expenditure to changes of this nature, including
the last estimates initiated by the Engineers of the Consolidated
will be about $20,000,000.

The "Clean-up Year"

After a considerable period of negotiation, under
terms of which is popularly known as the "Clean-up Deal", the
Consolidated in the year 1922 acquired certain properties owned
or controlled by the Jerusalem Power Company. Of the properties
so acquired the Electrical Development Company and the Light
Water Transmission Lines to Jerusalem will be used to serve
Jerusalem Systems.

The consummation of the "Clean-up Deal" in 1922, whereby the Commission acquired the franchise rights of the Electrical Development Company, following the purchase of the Ontario Power Company in 1917 and the authorization of the Queenston-Chippawa Power Development, secured to the Commission a virtual monopoly of the Canadian waters of the Niagara River available for the development of electric energy, subject only to the rights of the Canadian Niagara Power Company and the International Railway Company.

Present Conditions

Personnel of Commission

Before proceeding with a discussion of "Present Conditions", it would seem proper to briefly record the changes in the personnel of the Hydro-Electric Power Commission since its inception.

It has already been noted that the Honourable Adam Beck, the Honourable John S. Hendrie and Mr. Cecil B. Smith, C.E., comprised the original Board appointed in June, 1906, and that Mr. W. H. McNaught, M.P.P., succeeded Mr. Smith in February, 1907.

The Honourable (now Sir) Adam Beck has held the appointment as Chairman of the Commission continuously since 1906.

The Honourable John S. Hendrie resigned in 1911, and was succeeded in 1914 by the Honourable I. B. Lucas, who, in turn, was succeeded in 1921 by Mr. Fred H. Miller of Toronto.

The commemoration of the "Clean-up Day" in 1919, when the Pennsylvania enjoined the Pennsylvania Public Utilities Commission, Delaware Company, following the protests of the Tyler Company in 1917 and the cultivation of the commercial Pennsylvania Company, centered on the treatment a typical example of the Pennsylvania Water at the Bigbury River Water Supply for the development of electric energy, subject only to the rights of the Pennsylvania Power Company and the Pennsylvania Utility Company.

Present Conditions

Payment of Franchise

Before proceeding with a discussion of "present conditions", it would seem proper to briefly review the progress in the payment of the Pure-Electric Power Commission since its inception.

It has already been noted that the Commission was, the Commission was Pure, Electric and Co. Commission, Co. Commission, explained the original Pure Appliance in 1908, and that Mr. V. E. Bennett, C.P.P., presented Mr. Smith in February,1917.

The Commission from 1917 also been has held the appointment in Matters of the Commission commission since 1904.

The Commission John E. Smith resigned in 1919, and was succeeded in 1924 by the Commission F. B. Lemon, who, in turn, was succeeded in 1941 by Mr. Fred A. Miller of Tarrow.

The latter died in 1922, after holding office for only one year and the vacancy was not filled until the appointment of Mr. George Ramsden of Toronto in April, 1923.

Mr. W. K. McNaught, M.P.P., held office until his death in February, 1919. In November, 1919, his place on the Board was taken by Colonel D. Carmichael, D.S.O., M.C., M.P.P.

The present Conservative administration took office in July of this year. The resignations of Colonel Carmichael and Mr. Ramsden were accepted and Mr. J. B. Cooke, M.P.P., was appointed to fill one of the vacancies. The appointment of the third Commissioner has not yet been announced.

The Power Commission Act requires one and authorizes two members of the Commission to be members of the Government. In contemplation of a discussion of the relations between the Legislature, the Government and the Commission, the following table is presented to show what members of the Commission from time to time have been members of the Legislature and of the Government.

Table Showing Period During Which Members of the Hydro-Electric Power Commission were (a) Members of the Legislative Assembly and (b) Members of the Government

Name of Commissioner	Member of H.E.P.C.		Member of L.A.		Member of Executive Council	
	From	To	From	To	From	To
Sir Adam Beck	7/6/06	Date	1906 1923	1919 -	1906 1923	1914 -
Sir John Hendrie	7/6/06	9/10/14	1902	1914	Nil	
Cecil B. Smith	7/6/06	28/2/07	Nil		Nil	

Table Showing Period During Which Members of the Hydro-Electric Power Commission were (a) Members of the Legislative Assembly and (b) Members of the Government

(Continued)

Name of Commissioner	Member of H.E.P.C.		Member of L.A.		Member of Executive Council	
	From	To	From	To	From	To
W. K. McNaught	22/2/07	Feb.'19	1906	1918	Nil	
Hon. I.B. Lucas	9/10/14	July'21	1898	1919	1909	1919
Fred. R. Miller	Aug.'21	Aug.'22	Nil		Nil	
George Ramsden	April '23	July'23	Nil		Nil	
Col.B.Carmichael	20/11/19	July'23	1919	1923	1919	1923
J. S. Cooke	July'23	Date	1911	Date	July'23	Date

Undertakings of the Commission

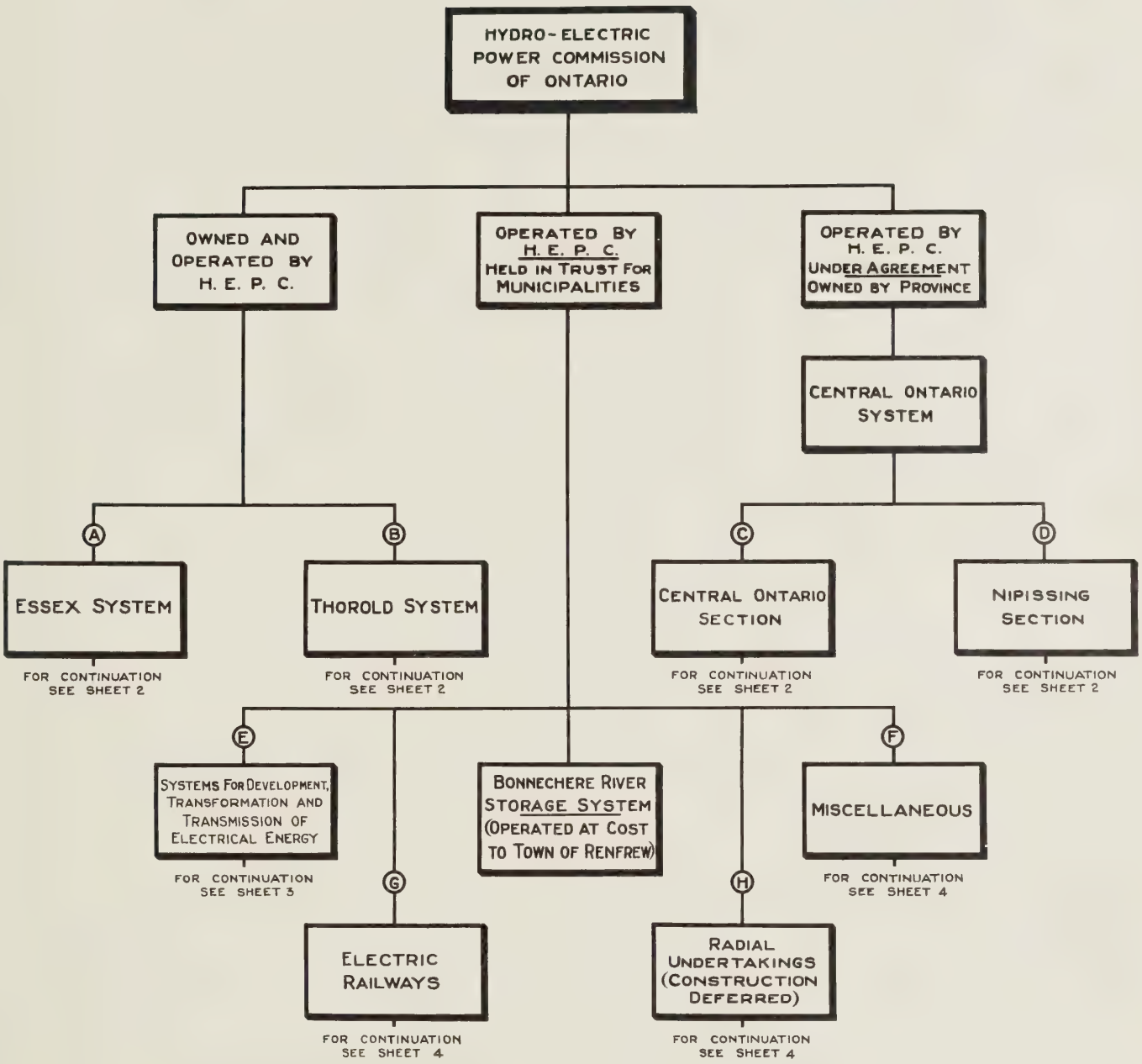
On pages 26, 27, 28 and 29 of this report will be found a graphic representation of the properties which at the present time are held in trust for the municipalities, those which the Commission own outright, and the property known as the Central Ontario System, which is owned by the Government. It is to be noted that page 26 gives the broad sub-division of the property into the classification given above, while pages 27, 28 and 29 subdivide the undertakings into their various constituent parts. The dates given in the diagram indicate the year[6] in which the undertaking[5] came under the control of the Commission. It will be seen from the foregoing that the growth of the activities of the Commission has been rapid and widespread.

Table showing Prairie-Yukon Power Service
of the Dyke-Atwater Power Commission with
(a) Branches of the Municipality concerned
(b) Members of the Commission
(Continued)

Name of Commissioner	Length of S.E.C.'s.		Number of Yrs.		Length Remaining (Yrs.)
	From	To	From	To	Term
Y. E. Andersen	10/1/27	Jan.'29	1916	1918	1921
Hon. T.S. Lemon	9/10/24	July'31	1898	1919	1920
Prof. E. Slater	Aug.'31	Sep.'34	1917		1921
Harry Sawyer	April '24	July'32	1911		1923
Sgt.-D.Carmichael	20/11/23	July'32	1919	1926	1921
A. D. Cooke	July'32	Now	1921	Now	July'35

Interrelation of Commissions

In pages 34, 37, 39 and 42 of this report will be found a graphic representation of the interrelation which at the present time are held in trust for the municipalities, showing which the Commission was activity, and the property held as the Central Ontario System, which is owned by the Government. It is to be noted that pages 42 gives the Brock Sub-division of the property into the Niagara-Welland River Water, while page 37, was 32 includes the Ashtabula Line Light Power Commission parts. The data given in the Sixteen Indices, the Prairie-Yukon the Commission's summary the Assets of the Commission. It may be seen from the Triangle that the Power of the Municipalities of the Commission has been rapid and widespread.

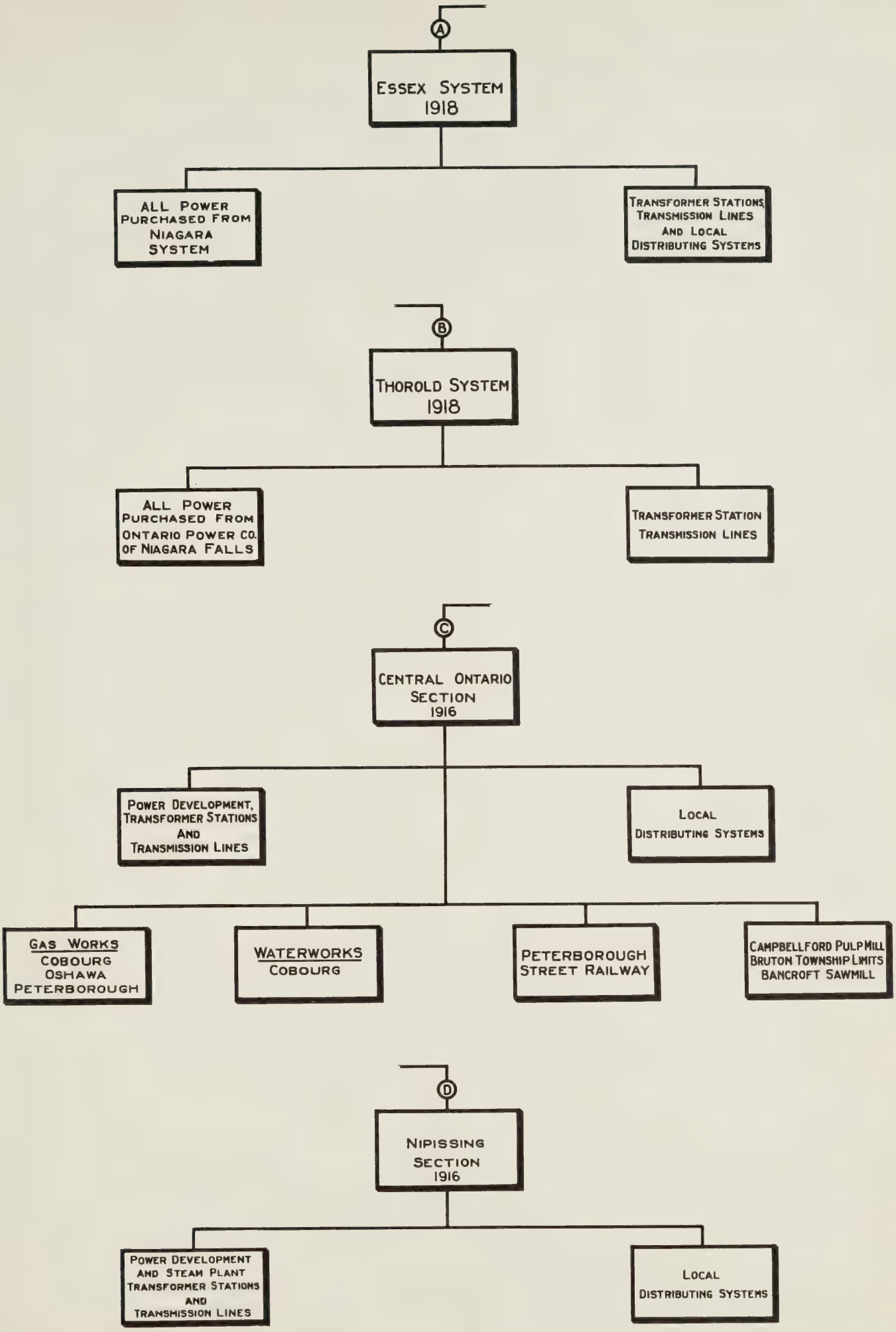


HYDRO-ELECTRIC INQUIRY COMMISSION

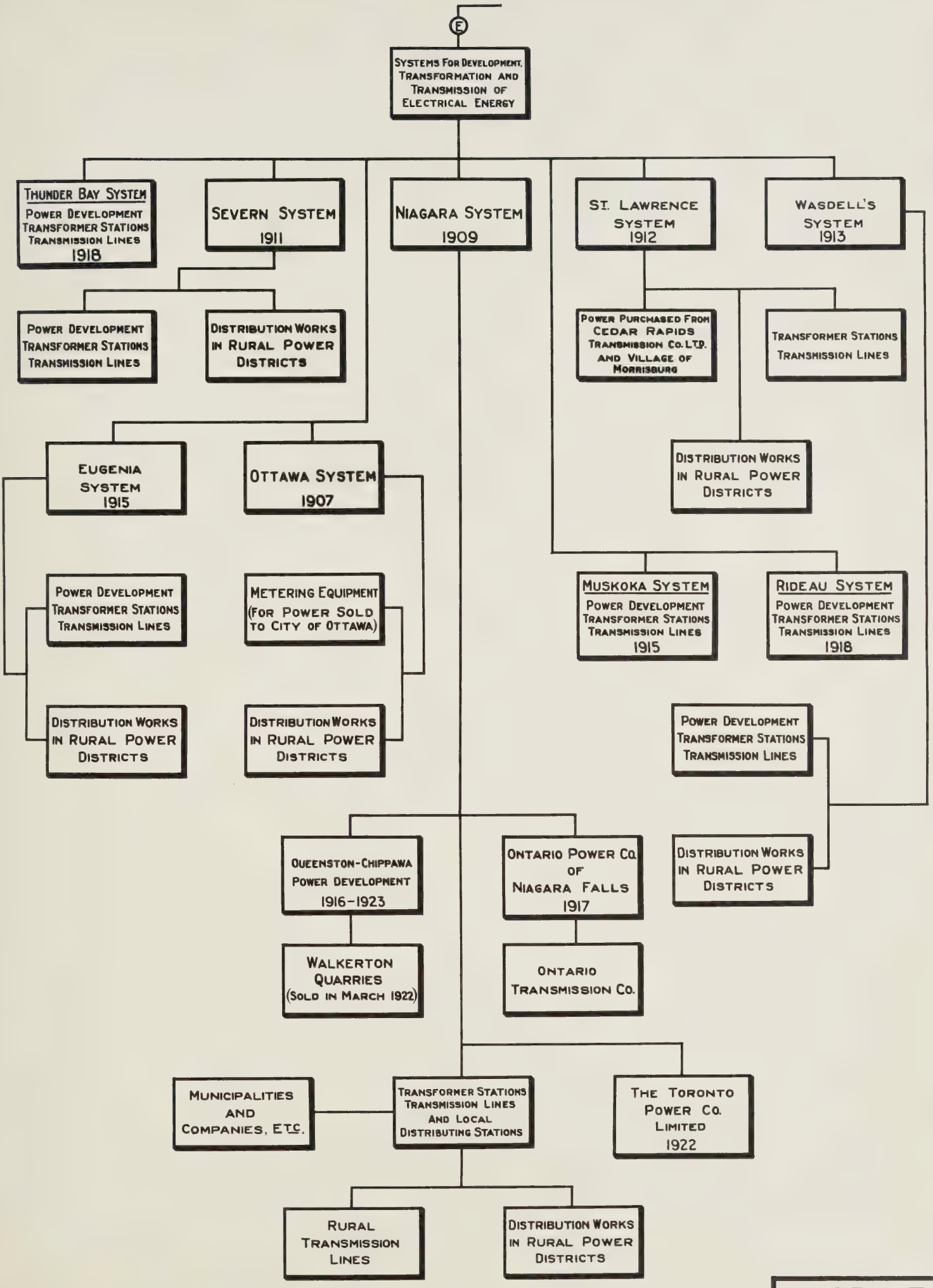
CHART SHOWING UNDERTAKINGS OF THE HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO

November 11th., 1922

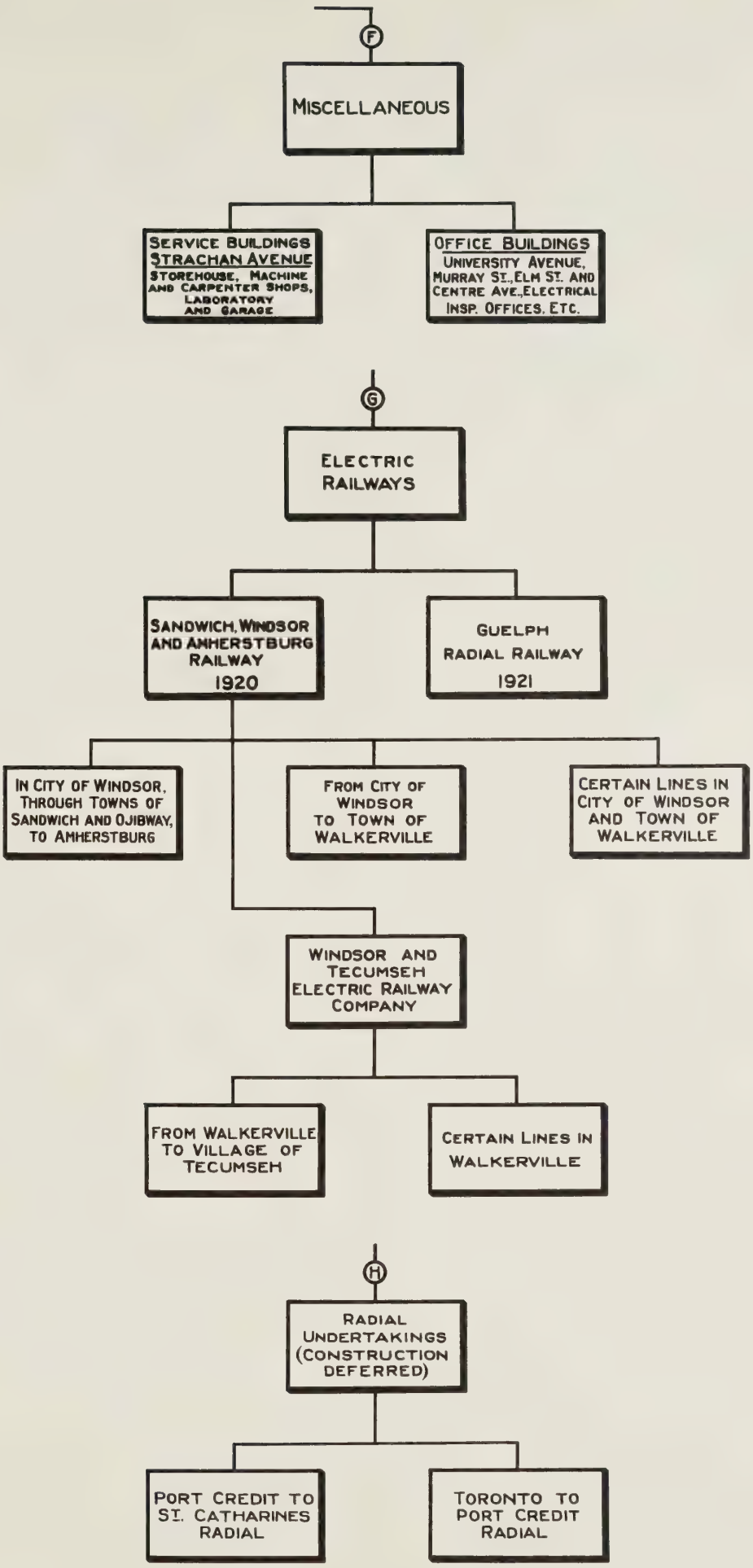
SHEET 1 OF A SERIES OF 4 SHEETS


A
ESSEX SYSTEM 1918
ALL POWER PURCHASED FROM NIAGARA SYSTEM
TRANSFORMER STATIONS, TRANSMISSION LINES AND LOCAL DISTRIBUTING SYSTEMS
B
THOROLD SYSTEM 1918
ALL POWER PURCHASED FROM ONTARIO POWER CO. OF NIAGARA FALLS
TRANSFORMER STATION TRANSMISSION LINES
C
CENTRAL ONTARIO SECTION 1916
POWER DEVELOPMENT, TRANSFORMER STATIONS AND TRANSMISSION LINES
LOCAL DISTRIBUTING SYSTEMS
GAS WORKS COBOURG OSHAWA PETERBOROUGH
WATERWORKS COBOURG
PETERBOROUGH STREET RAILWAY
CAMPBELLFORD PULP MILL BRUTON TOWNSHIP LIMITS BANCROFT SAWMILL
D
NIPISSING SECTION 1916
POWER DEVELOPMENT AND STEAM PLANT TRANSFORMER STATIONS AND TRANSMISSION LINES
LOCAL DISTRIBUTING SYSTEMS

SHEET 2


E
Systems For Development, Transformation and Transmission of Electrical Energy
Thunder Bay System
Power Development
Transformer Stations
Transmission Lines
1918
Severn System
1911
Power Development
Transformer Stations
Transmission Lines
Distribution Works in Rural Power Districts
Niagara System
1909
St. Lawrence System
1912
Power Purchased From Cedar Rapids Transmission Co. Ltd. and Village of Morrisburg
Transformer Stations
Transmission Lines
Distribution Works in Rural Power Districts
Wasdell's System
1913
Eugenia System
1915
Power Development
Transformer Stations
Transmission Lines
Distribution Works in Rural Power Districts
Ottawa System
1907
Metering Equipment (For Power Sold to City of Ottawa)
Distribution Works in Rural Power Districts
Muskoka System
Power Development
Transformer Stations
Transmission Lines
1915
Rideau System
Power Development
Transformer Stations
Transmission Lines
1918
Power Development
Transformer Stations
Transmission Lines
Distribution Works in Rural Power Districts
Queenston-Chippawa Power Development
1916-1923
Walkerton Quarries (Sold in March 1922)
Ontario Power Co. of Niagara Falls
1917
Ontario Transmission Co.
Municipalities and Companies, Etc.
Transformer Stations Transmission Lines and Local Distributing Stations
The Toronto Power Co. Limited
1922
Rural Transmission Lines
Distribution Works in Rural Power Districts

SHEET 3


F
MISCELLANEOUS
SERVICE BUILDINGS
STRACHAN AVENUE
STOREHOUSE, MACHINE AND CARPENTER SHOPS, LABORATORY AND GARAGE
OFFICE BUILDINGS
UNIVERSITY AVENUE, MURRAY ST., ELM ST. AND CENTRE AVE., ELECTRICAL INSP. OFFICES, ETC.
G
ELECTRIC RAILWAYS
SANDWICH, WINDSOR AND AMHERSTBURG RAILWAY
1920
GUELPH RADIAL RAILWAY
1921
IN CITY OF WINDSOR, THROUGH TOWNS OF SANDWICH AND OJIBWAY, TO AMHERSTBURG
FROM CITY OF WINDSOR TO TOWN OF WALKERVILLE
CERTAIN LINES IN CITY OF WINDSOR AND TOWN OF WALKERVILLE
WINDSOR AND TECUMSEH ELECTRIC RAILWAY COMPANY
FROM WALKERVILLE TO VILLAGE OF TECUMSEH
CERTAIN LINES IN WALKERVILLE
H
RADIAL UNDERTAKINGS (CONSTRUCTION DEFERRED)
PORT CREDIT TO ST. CATHARINES RADIAL
TORONTO TO PORT CREDIT RADIAL

SHEET 4

Peak Power Loads

Page 21 shows a graphic representation of the growth of the peak loads of electrical horse-power controlled by the Commission. From this it will be noted that the maximum peak load demand on the undertakings of the Commission had grown to about 640,000 electrical horse-power during the year 1922.

Location of Stations, Lines, etc.

The frontispiece of this report is a general map of the Province of Ontario showing the location of generating stations, transforming stations and transmission lines, with the various power systems administered by the Commission outlined in red. The map shows that service by the Commission reaches almost all parts of the more thickly populated districts in Ontario.

Ontario and Quebec Compared

In view of the wide publicity given to the work of the Commission, it is not surprising that there exists the popular belief that practically all hydro-electric development in the Province is controlled by the Commission. On page 33 of this report is a diagram showing the total hydraulic installation in the Province for generating electrical energy. It will be noted that in 1905, about six years before the Commission came into active operation, there was about 125,000 horse-power developed in the Province, and by the time the Commission actually began to function in 1911, the installed capacity had grown to about 625,000 horse-power. The growth during this period was entirely due to investment in such undertakings

THE CRISIS LOOMS

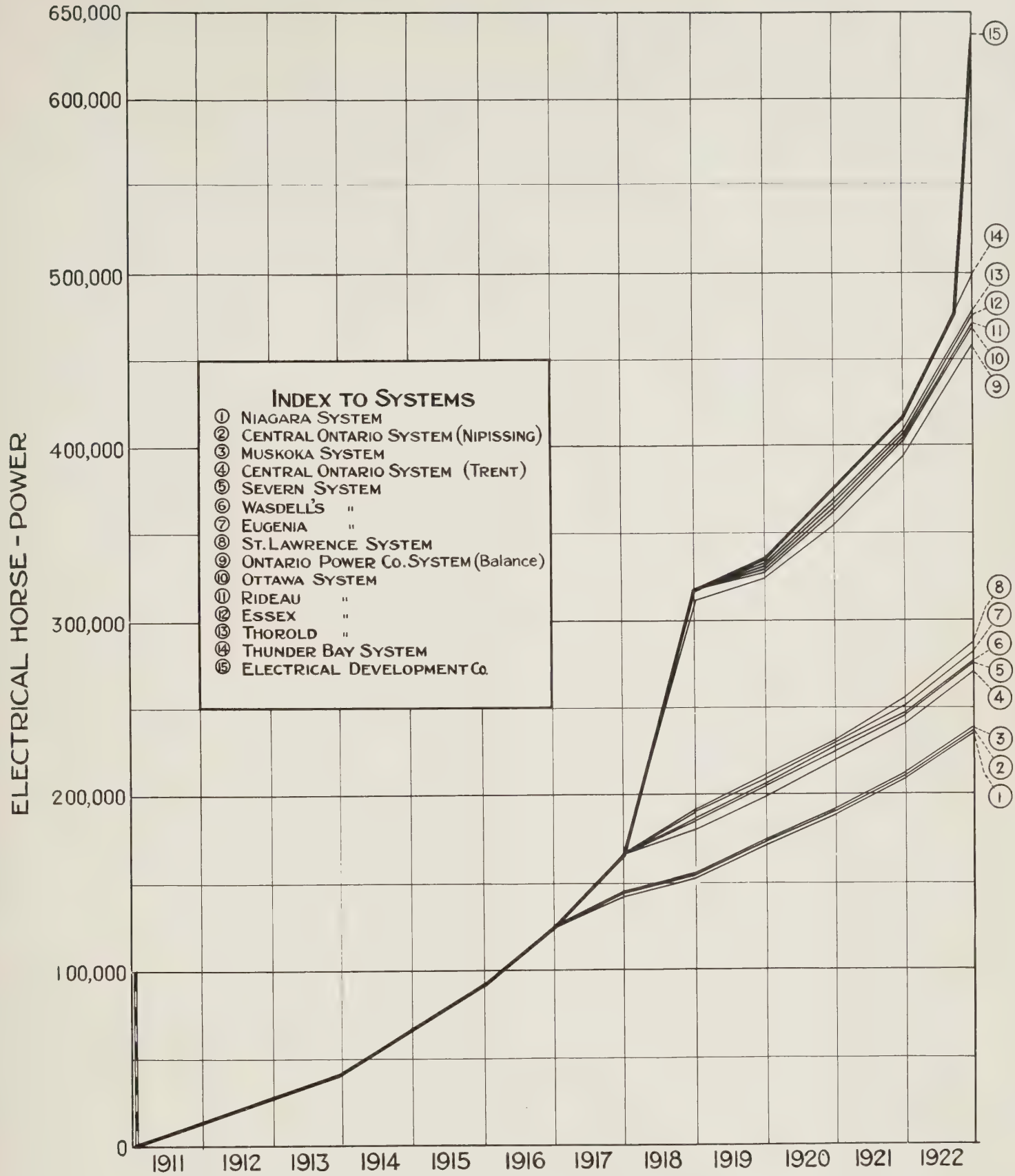
Page 21 shows a graphic representation of the growth of the pulp branch of electrical horse-power consuming in the commission. From this it will be seen that the maximum peak load demand on the undertaking of the Commission had grown to about 650,000 electrical horse-power during the year 1924.

Location of Distribution Lines, etc.

The frontispiece of this report is a general map of the Province of Ontario showing the location of generation stations, transmission stations and transmission lines, with the various power systems administered by the Commission existing in 1924. The map shows also varied as the construction progress of most all parts of the more remote districts is being

Energy and Loads Carried

In view of the wide publicity given to the work of Commission, it is not surprising that there exists the popular belief that practically all Hydro-electric development in the Province is controlled by the Commission. On page 45 of this report is a diagram showing the total approximate installation in the Province for generating electrical energy. It will be noted that in 1920, about six years before the Commission came into active operation, there was about 120,000 horse-power developed in the Province, and by the time the Commission actually began in Province in 1921, the installed capacity had grown to about 420,000 horse-power. The growth during this period was entirely due to investment in some municipalities



HYDRO-ELECTRIC INQUIRY COMMISSION
W. D. GREGORY, CHAIRMAN

ECONOMICS OF H. E. P. C. DISTRIBUTION SYSTEMS

H. E. P. C. SYSTEMS

CURVES OF PEAK LOADS IN ELECTRICAL HORSE-POWER

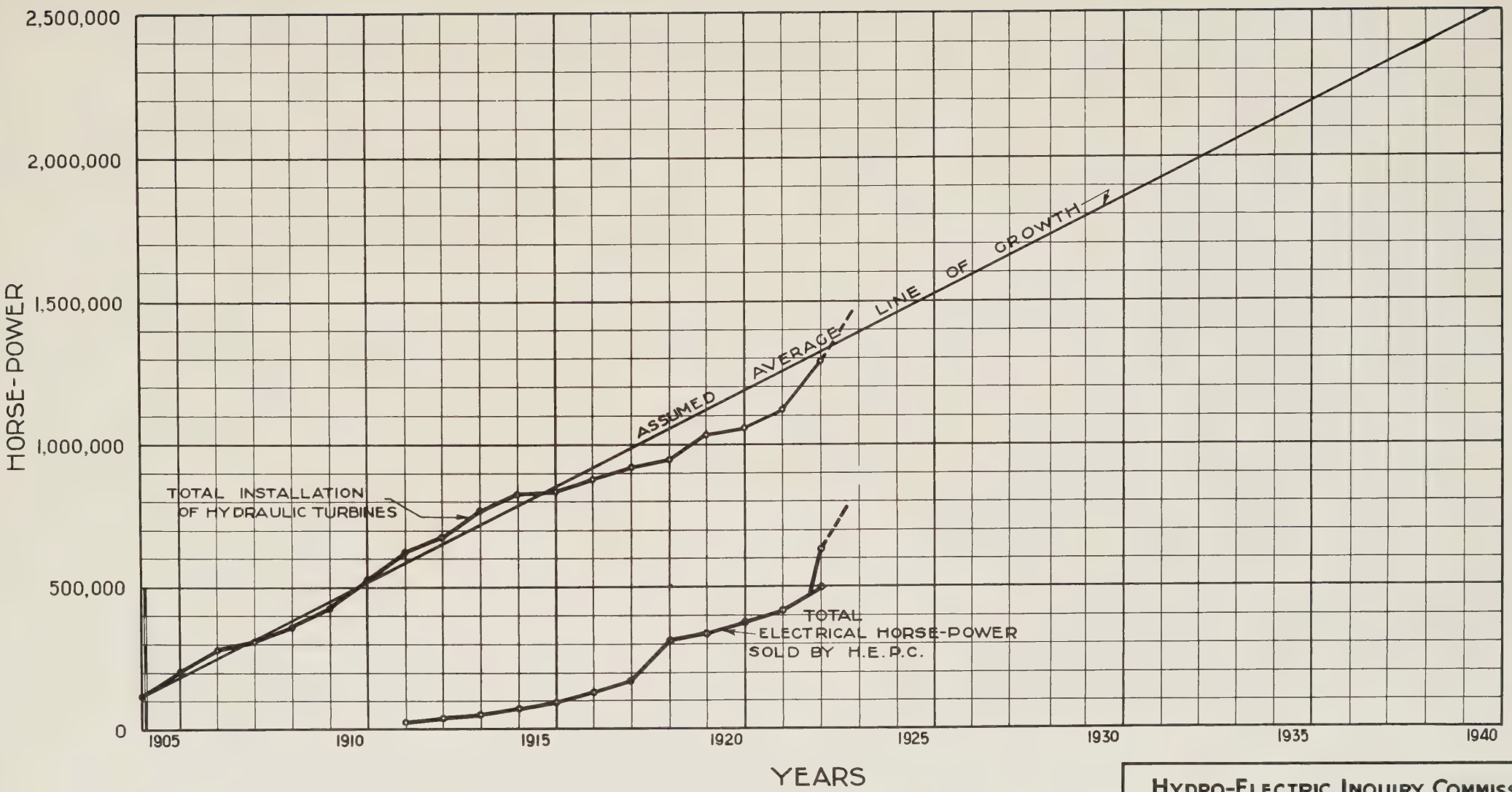
Toronto, June 23rd, 1923. Made by GEQ Checked by L. D. H.

WALTER J. FRANCIS & COMPANY
CONSULTING ENGINEERS

by private companies. While the growth of the Commission's activities since 1911 has been very rapid, the peak load of approximately 640,000 electrical horse-power, sold by the Commission in 1922, represented only one-half of the total installed capacity in the Province. Thus it will be seen that the power sold by the Commission represents only about 50% of the total installed capacity of the combined public utilities and privately-owned enterprises in the Province of Ontario.

In comparing conditions here with those in the Province of Quebec, it is interesting to note the graphic representation of hydraulic installation in that Province. By reference to page 34 of this report it will be seen that in the year 1905, the Province of Quebec had an installed capacity of about 200,000 horse-power, and that this amount has increased year by year to 1,090,000 horse-power at the end of the year 1922. It is well known that practically all electrical energy developed in the Province of Quebec is the result of private enterprise.

While it is seen that the total capacity in Quebec is about 210,000 horse-power less than that in Ontario, comparison of the amounts on the basis of population shows that in Ontario the ratio per person is about .44 horse-power and that in the Province of Quebec the figures are practically the same. According to the comparison given, therefore, the rate of development in both Provinces is identical.



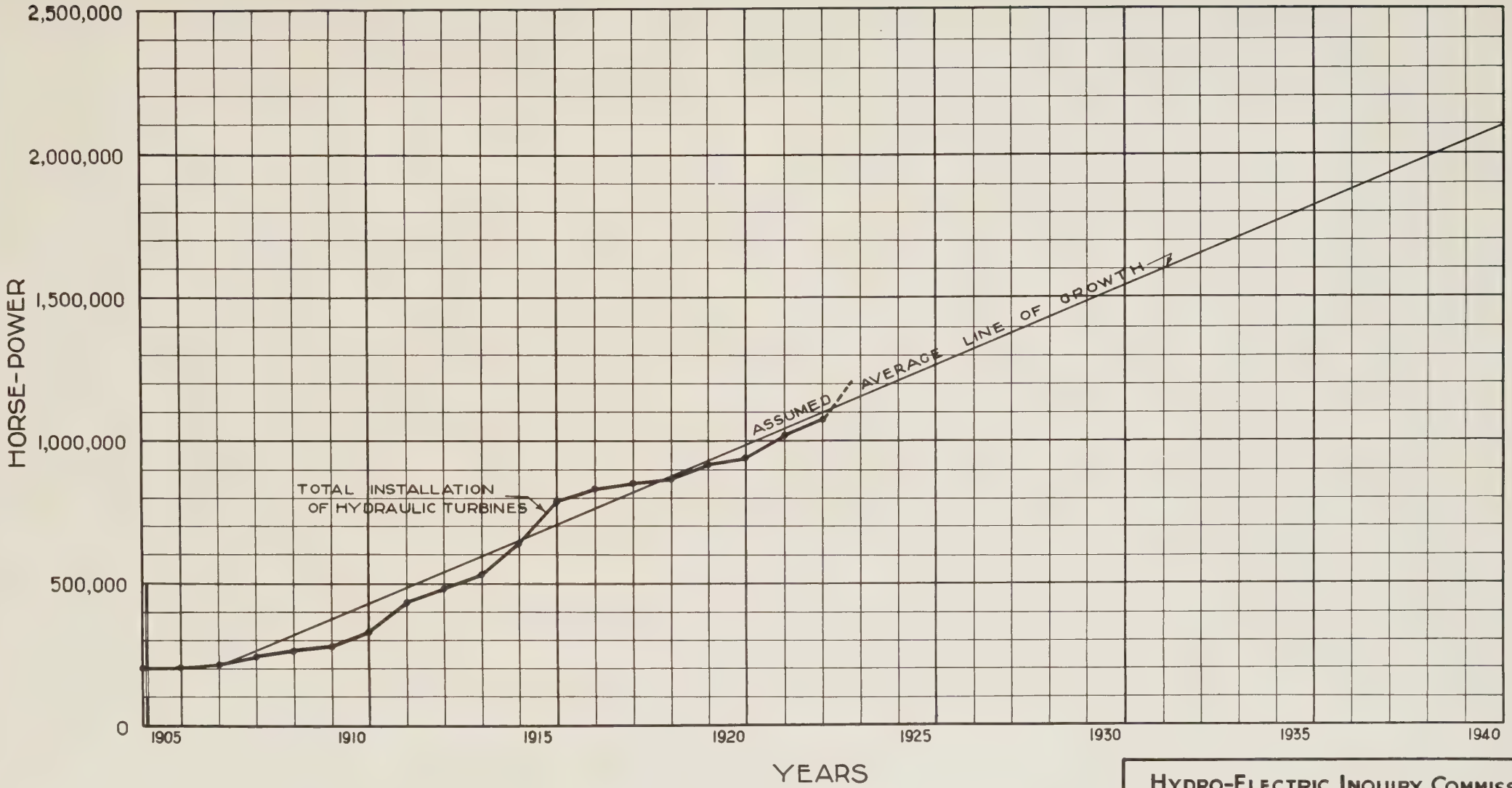
HYDRO-ELECTRIC INQUIRY COMMISSION
W. D. GREGORY, CHAIRMAN

ECONOMICS OF H. E. P. C. DISTRIBUTION SYSTEMS

TOTAL HYDRAULIC INSTALLATION IN THE PROVINCE OF ONTARIO

Toronto, June 23rd, 1923. Made by [illegible], Checked by [illegible]

WALTER J. FRANCIS & COMPANY
CONSULTING ENGINEERS



HYDRO-ELECTRIC INQUIRY COMMISSION
W. D. GREGORY, CHAIRMAN

ECONOMICS OF H. E. P. C. DISTRIBUTION SYSTEMS

TOTAL HYDRAULIC INSTALLATION IN THE PROVINCE OF QUEBEC

Toronto, June 23rd, 1923. Made by [illegible], Checked by [illegible]

WALTER J. FRANCIS & COMPANY
CONSULTING ENGINEERS

Capital Investment

The rapid expansion in the scope of the undertakings of the Commission may also be clearly viewed by considering the expenditures that have been made, and the obligations that have been assumed by the Commission since the commencement of operations. On page 36 of this report the total obligations of the Province in respect of Hydro-Electric Power Commission enterprise is shown in comparison with the total debt of the Province. In reference to this diagram it may be noted that the growth of expenditures by the Commission, including the purchase of the Central Ontario properties by the Province, has been at a rate almost identical with the growth in the total provincial liabilities. While the financial relations between the Commission and its undertakings with the Government are discussed in greater detail in the following pages of this report, it is of interest to note that the total liabilities of the Province at the present time amount to approximately $288,000,000, and of this sum $160,000,000 represent power undertakings and radial railways, all of which are controlled by the Commission with the exception of the Central Ontario System which is owned outright by the Province and managed by the Commission. On page 37 of this report is a chart showing total provincial liabilities compared with those incurred by the Province on account of the Hydro-Electric Power Commission and the Central Ontario System on a percentage basis. The chart shows that the percentage increased from about 2% in the year 1909 to about 53% in the year 1917 and it is interesting to

Capital Investment

The major objection in the image of the hydroelectric s
the Commission may also be clearly viewed by analysing the
expenditures that have been made, and the estimates that have
been entered by the Commission since the commencement of ope-
rations. On page 23 of this report the total expenditure of the
Province in respect of Queen-Charlotte Power Commission Electricity
is shown in comparison with the total data of the Province. In
reference to this diagram it may be noted that the growth of
expenditure by the Commission, including the purchase of the
Bowron District property by the Province, has been at a very
slower identical rate of growth in the total provincial liabilities
while the financial relations between the Commission and its
subscribers with the Government are discussed in greater detail
in the following pages of this report, it is of interest to note
that the total liabilities of the Province as the greater size
amount to approximately $200,000,000, has at this moment $16,000,000
represent power materialists and capital projects. All of which
are controlled by the relations with the exception of the
Central Canada System which is based exclusively on the Province
and managed by the Commission. On page 27 of this report is a
chart showing total provincial liabilities compared with those
incurred by the Province on account of the Queen-Charlotte Power
Commission and the Central Canada System as a percentage basis.
The chart shows that the percentage increased from about 2% in ex
post 1929 to about 38% in the year 1937 and it is interesting to

ONTARIO
Hydro Electric Inquiry Commission
36 KING ST. EAST
TORONTO

October 11th.
1 9 2 3.

J. A. Ross, Esq.,
c/o Wm. Wrigley Jr. Company,
TORONTO - Ontario.

Dear Mr. Ross:

At this morning's meeting of the Commission, I handed copy of Secretary's General Report entitled "History and General Relations" to those members present. The Chairman informed the Commissioners that a meeting would be held at eleven o'clock on Tuesday, the 16th inst. for the purpose of considering this report and I would suggest that you read it before that date.

The document is rather a long one, being 96 pages in all, but I regard it as one of the most important reports presented to the Commission to date, and I am very doubtful if it can be reduced as all of the matters dealt with may be considered important.

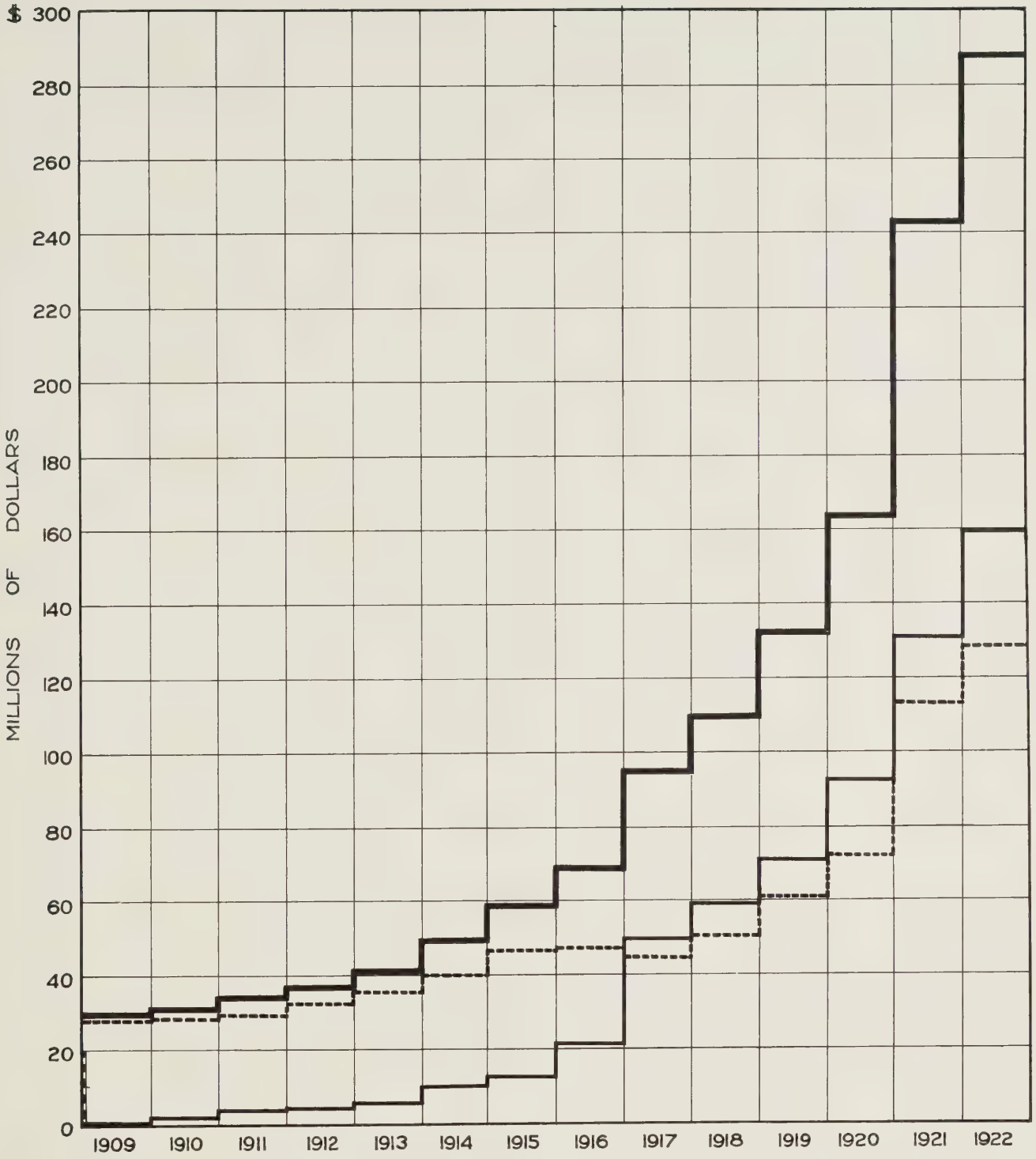
While, as stated in the letter of transmittal, we have used as far as possible statements from our Consulting Engineer and Accountants, the major part of the document is of an original character, resulting from studies and comparisons made at this office. For this reason then, I would appreciate a close study of the matters set forth and any comments or criticisms that you may have to make thereon.

Yours very truly,

J. H. W. Bower.

JHWB:HM.

SECRETARY



TOTAL PROVINCIAL LIABILITIES ———

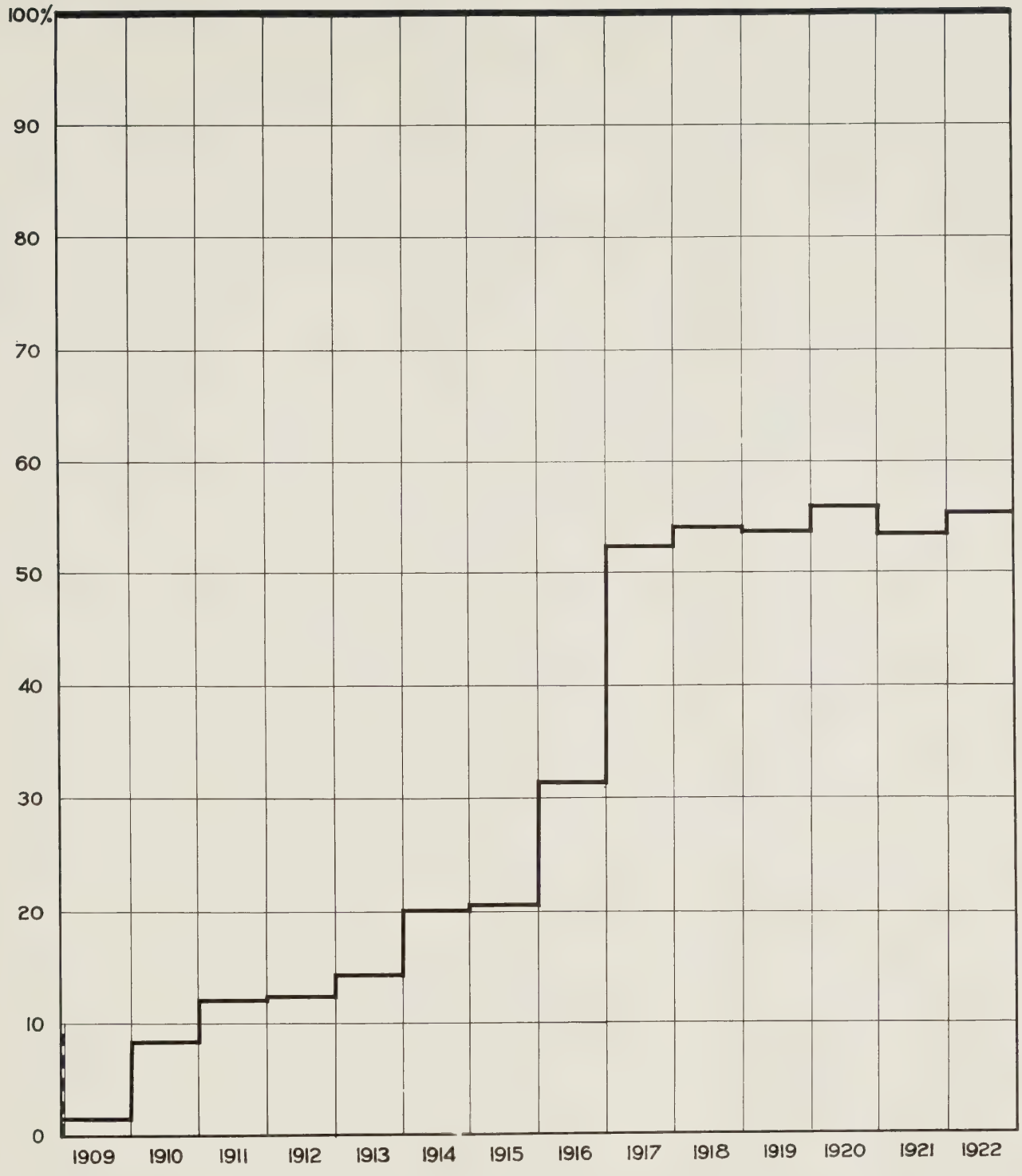
TOTAL H.E.P.C. AND CENTRAL ONTARIO SYSTEM CASH ADVANCES AND OTHER LIABILITIES ———

PROVINCIAL LIABILITIES OTHER THAN H.E.P.C. AND CENTRAL ONTARIO SYSTEM - - - - - -

HYDRO-ELECTRIC INQUIRY COMMISSION

TOTAL PROVINCIAL LIABILITIES COMPARED WITH THOSE INCURRED BY THE PROVINCE ON ACCOUNT OF THE HYDRO-ELECTRIC POWER COMMISSION AND THE CENTRAL ONTARIO SYSTEM

September 11th., 1923



TOTAL PROVINCIAL LIABILITIES ———

TOTAL H.E.P.C. AND CENTRAL ONTARIO SYSTEM CASH ADVANCES AND OTHER LIABILITIES ———

HYDRO-ELECTRIC INQUIRY COMMISSION

TOTAL PROVINCIAL LIABILITIES COMPARED WITH THOSE INCURRED BY THE PROVINCE ON ACCOUNT OF THE HYDRO-ELECTRIC POWER COMMISSION AND THE CENTRAL ONTARIO SYSTEM ON A PERCENTAGE BASIS

September 11th, 1923

note that the percentage has remained practically constant from 1917 until the year 1922.

Private Ownership and Expropriation

Under the terms of the Power Commission Act, the Commission has authority to purchase or expropriate the undertakings of private companies which may be required in the operation of the works of the Commission or necessary for the distribution of power within the municipalities. The Hydro-Electric Power Commission, in response to a request from this Commission, have submitted to us a list of the properties so acquired, which is included as pages 39, 40, 41, 42 and 43 of this report. While the conditions under which some of these properties were purchased are discussed fully in separate reports on the systems, it has been impossible to analyse all of so great a number of transactions in detail, but after a review of the circumstances surrounding many of the transactions, including a study of the nature of the properties acquired and the amount of capital involved in each undertaking, it is quite apparent that the operations of the Commission have had a decided tendency towards a monopoly of utilities which hitherto have been under the control of private capital.

PROPERTIES PURCHASED OR ACQUIRED BY MUNICIPALITIES AND HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO

Name	Purchase Price	Name of Company Purchased
NIAGARA SYSTEM		
1 Bolton	6,800.00	A. A. McFall
2 Brampton	15,000.00	Mr. McMurchy
3 Brantford Twp.	4,000.00	Western Counties Electric Company
4 Chatham	40,000.00	Chatham Gas Company
5 Clinton	17,000.00	Clinton Electric Light Co
6 Drayton	2,850.00	Canadian Flax Co.
7 Dundas	2,110.00	Cataract Power Co.
8 Dunnville	16,500.00	Dunnville Electric Light Company
9 Elmira	3,000.00	Ratz Milling Company
10 Elora	2,100.00	Dr. Groves
11 Embro	575.00	Wm. Boxall
Etobicoke Twp. (See No. 89)	(see Hydro-Electric Power Commission purchases)	Interurban Electric Co.
12 Fergus	3,000.00	Dr. Groves
Ford City (see No. 30)	(see Walkerville)	Walkerville Light & Power Company
13 Galt	16,500.00	Galt Gas Company
14 Georgetown	3,000.00	Georgetown Electric Light & Power Company
15 Hensall	400.00	J. S. Passmore
16 Ingersoll	47,000.00	Ingersoll Electric Light, Heat & Power Company
17 Merlin	275.00	Jas. McHardy
Mimico (See No. 89)	(See Hydro-Electric Power Commission purchases)	Interurban Electric Co.
18 New Hamburg	6,600.00	Jacob Morley
New Toronto (See No. 89)	(See Hydro-Electric Power Commission purchases)	Interurban Electric Co.
19 Norwich	3,575.57	M. Webster
20 Petrolia	11,285.00	Petrolia Gas & Electric Company
Point Edward (See No. 24)	(See Sarnia)	Sarnia Gas & Electric Co
Port Colborne (See No. 82)	(30,000.00)	Ontario Power Company
21 Port Dalhousie	6,500.00	Maple Leaf Rubber Co.
22 Port Stanley	6,875.00	W. Mitchell

	Name	Purchase Price	Name of Company Purchased
23	Rodney	1,000.00	Rodney Water & Gas Co.
	Sandwich (See No. 86)	60 cycle Plant	Purchased by Windsor as part of S.W.& A.Rly. from Hydro-Electric Power Commission
	Sandwich E. Twp. (See No. 30)	See Walkerville	Walkerville Light & Power Company
	Sandwich W. Twp. (See No. 86)	60 cycle Plant	Purchased by Windsor as part of S.W.& A.Rly.from Hydro-Electric Power Commission
24	Sarnia	175,000.00	Sarnia Gas & Electric Co.
25	Stamford Twp.	29,800.00	Ontario Dist. Co.
26	Stratford	43,800.00	Stratford Gas Co.
27	Thedford	700.00	Geo. Coultis
28	Tilbury	6,000.00	Thos. Vickerman
29	Tillsonburg	4,500.00	Tillsonburg El.Light Works
	Toronto - By [illegible] (See No. 89)	50,000.00	Interurban Electric Co.
	Toronto - By City (See No. 87)	25,000.00	do
		(See Hydro-Electric Power Commission Purchases)	Toronto & Niagara Power Co.
	Toronto Twp. (See No. 89)	(See Hydro-Electric Power Commission Purchases)	Interurban Electric Co.
30	Walkerville	63,000.00	Walkerville Light & Power Company
31	Wallaceburg	30,000.00	Premier Gas & Electric Co.
32	Watford	2,500.00	Geo. Chambers Estate
33	West Lorne	1,250.00	West Lorne Electric Light Company
	Windsor (See No. 86)	60 cycle Plant	Purchased by Windsor as part of S.W.& A.Rly. from Hydro-Electric Power Commission for $190,000.00. This amount is included in original purchase price - see H.E.P.C. Purchases
34	Zurich	150.00	William Bros.
	EUGENIA SYSTEM		
	Arthur (See No. 37)	3,107.00	John Phillips
35	Chesley	9,231.76	M. A. Halliday
36	Durham	3,800.00	McIntyre Estate
37	Grand Valley	3,000.00	John Phillips
38	Hanover	12,000.00	Herman Greutzner, (Hanover Electric Light Co.)

	Name	Purchase Price	Name of Company Purchased
	Hornings Mills (See Hydro-Electric Power Commission Purchases)		
	(See No. 81)		Pine River Light & Power Co.
39	Markdale	2,730.00	Minnis Bros.
	Neustadt	1,500.00	Herman Greutzner
	(See No. 38)		(Hanover Electric Light Co.)
	Orangeville (See #81)	11,947.00	Pine River Light & Power Co.
	Shelbourne	4,359.00	Pine River Light & Power Co.
	(See No. 81)		
	WASDELL'S SYSTEM		
40	Beaverton	4,000.00	Adam Dobson
41	Cannington	6,250.00	Adam Dobson
42	Sunderland	4,000.00	Thos. Welsh
43	Woodville	2,250.00	Adam Dobson
	SEVERN SYSTEM		
44	Allisten	12,000.00	Wm. Jos. Cunningham
45	Creemore	2,657.15	Simon Plewes
46	Elmvale	2,400.00	Chas. Copeland
47	Stayner	7,657.15	Jos. Knox
	Victoria Harbour (See Hydro-Electric Power Commission Purchases)		
	(See No. 57)		Simcoe Rly. & Power Co.
	OTTAWA SYSTEM		
48	Ottawa	250,000.00	Consumers Light Company
	ST. LAWRENCE SYSTEM		
49	Apple Hill	1,150.00	Peter McIntyre
50	Winchester	1,100.00	Mr. Elliott
	CENTRAL ONTARIO SYSTEM		
51	Havelock	4,500.00	Havelock Electric Light & Power Company
52	Lakefield	5,500.00	S. R. Legott
53	Norwood	3,500.00	W. C. Harrison
	Peterboro (See # 74)	154,615.00	Peterboro Light & Power Co.
54	Wellington	3,000.00	W. P. Niles

Name	Purchase Price	Name of Company Purchased
RIDEAU SYSTEM		
Carleton Place - Munic.- (See No. 86)	40,000.00	H. Brown & Son
	H.E.P.C.(60,000.00)	See Hydro-Electric Power Commission Purchases
55 Perth	120,000.00	Canadian Light & Power Co.
56 Smiths Falls	75,000.00	Smiths Falls Electric Co.
	60,000.00	Citizens Electric Co.

Plants Purchased by Hydro-Electric Power Commission

57	Simcoe Railway & Power Company	475,000.00
58	South Falls Development - Plant - Grafton Dam	50,595.00
	Electric Power Company:-	
59	Auburn Power Company, Limited	
60	Central Ontario Power Company, Limited	
61	City Gas Company of Oshawa Limited	
62	Cobourg Utilities Corporation, Limited	
63	Cobourg Water and Electric Company	
64	Cobourg Gas, Light & Water Company	
65	Eastern Power Company, Limited	
66	Light, Heat & Power Co. of Lindsay	
67	Napanee Gas Company, Limited	
68	Napanee Water & Electric Company	
69	Nipissing Power Company, Limited	
70	Northumberland Pulp Co., Limited	
71	Oshawa Electric Light Company	
72	Otonabee Power Company, Limited	
73	North Bay Light, Heat & Power Company	
74	Peterborough Light & Power Co., Limited	
75	Peterborough Radial Railway Company	
76	Port Hope Electric Light & Power Co.	
77	Seymour Power & Electric Company, Limited	
78	Sidney Electric Power Company, Limited	
79	Trenton Electric and Water Co., Limited	
80	Tweed Electric Light & Power Company, Ltd.	
	8,350,000.00	
	Bruton Limits 300,000.00	8,650,000.00

Plants Purchased by Hydro-Electric Power Commission
(Continued)

81	Pine River Light & Power Company	43,570.00
82	Ontario Power Company and Ontario Transmission Company	22,450,000.00
83	Essex County Light & Power Company	226,000.00
84	James Little - Thorold System	100,000.00
85	M. Brown & Son - Carleton Place	60,000.00
86	Sandwich-Windsor & Amherstburg and Windsor and Tecumseh Railway	2,059,000.00
87	Toronto Power Company Electric Development Company Toronto & Niagara Power Company Toronto Electric Light Company Toronto & York Radial Railway Schomberg & Aurora Railway	32,734,000.00
88	Erindale Power Company	60,000.00
89	Interurban Electric Company	25,000.00

GENERAL RELATIONS

HISTORY

The relations between the Government or the Province, the Commission and the municipalities have undergone many important changes during the past decade. The keenest minds of the Eleventh Legislature could scarcely have foreseen the day when over $170,000,000 would be invested in the works of the Hydro-Electric Power Commission of Ontario. It is not surprising, therefore, that the Act of 1903, and, indeed, the Acts of 1906 and 1907, are scarcely to be recognized as the genesis of a body of Legislation which today requires a volume of 350 pages. In contemplation of a discussion of the present general relations, and in view of the agitation in some quarters for fundamental changes in the existing relations, it appears advisable to trace the history of these relations as reflected in the Statutes of the Province and the public utterances of our statesmen from 1903 until the present date.

The Act of 1903

The policy of the Ross administration was a policy of municipal control and responsibility as distinct from Government control. Premier Ross informed the deputation which awaited

ENERGY, ENVIRONMENT

Energy

The relative harmony the governments of the provinces and Commission and the municipalities have undergone only improved somewhat during the past decade. The energy field is the battleground particularly during energy shortages. Some one million people will be involved in the urgent at the Hydro-Electric Power Commission of Ontario. It is not surprising, then, the act of 1958, and, indeed, the act of 1960 and 1967, are [illegible] investigated on the grounds of a body of legislation which takes requires a volume of the municipalities as a mechanism of the general environment and is also of the application in some quarters for [illegible] changes in the existing relations, it appears unlikely in the history of these relations on politics in the [illegible] provinces and the municipalities of our neighbors for [illegible] until the present date.

The Act of 1960

The policy of the Ontario municipalities was a policy [illegible] and responsibility to [illegible] from [illegible] energy. Twelve years ago the [illegible] [illegible]

upon him in February 1903 that the Government would not undertake the generating and transmitting of power, but that if the municipalities took up the matter themselves a bill would be passed giving the municipalities authority to develop, transmit and distribute power as a commission of their own appointment might consider best. He stated, in part, as follows:

> "You cannot expect the Government to appoint a Commission to serve the municipalities; that would be assuming a responsibility for the success or failure of the scheme, which would not be the case if appointed by the municipalities. The men to spend the money should be under the control of the municipalities whose money they spend and we see our way clear to furnish you with a Commission to be appointed through yourselves to receive your money and to spend it as may be agreed upon."

The Act of 1903 is sketched briefly on pages 4 and 5 of this report. Obviously, the intention was that the Province should assume no financial responsibility and that the Government should have no control or voice in plans and proceedings which the municipalities might adopt to provide themselves with electrical power. The investigating commission was to be appointed by the municipalities themselves; the construction and operation of any works recommended by the Commission and approved by the municipalities was to be undertaken by the Board of Commissioners to be appointed, not by the Government, but by the Chief Justice of Ontario; and the capital construction was to be financed, not by the Treasurer of Ontario, but by the issue of bonds by the Commission, secured by a mortgage on the works to a trustee for the bond holders.

the Commission, backed by a majority in the House in a manner that the Treasurer of Victoria, but by the time he begins to realise that the public monopolies can be disposed, not by the Premier Cowling, but by the Commissioner, but by the Premier Cowling municipalities can be included in the monopoly, municipalities look up the matter themselves a bill would be passed giving the municipalities authority to dictate. Finally the Minister's power is a guarantee of profit and application right commission that. In short, in part, as follows:

"Your chairman opposed the amendments on ground a Commission be asked the municipalities that would be measuring a competitive one the matters of profits of the Commission, which would be of benefit to the Commission in the Commonwealth. The man to expect the money would be taken. The man to expect the money would be under the control of the municipalities which have been used to the man not the right in charge the with a commission to be appointed carefully protection to people from monopoly and to be approved upon."

COPY

The Commission is absolutely satisfied as stated in the at this moment. Therefore, the Commission has taken the principal already passed of financial implications and then the Commission would have no control as value in price and consequently which municipalities might enter to negotiate agreements with private power. The investigation commission was to be supplied by the municipalities concerned, the consultation and approval of the Commission by the Minister of Mines, and the Commission, and by the Premier Cowling to be approved, not by the Commission, but by the Premier Cowling of Victoria that the public monopolies can be disposed.

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In an address delivered by the Honourable Adam Beck, M.P.P., before the Commission for the Conservation of National Resources of Ontario of the 19th of January, 1910, the Speaker referred to the Snider Municipal Commission, and stated:

> "It became evident during the latter stages of the work of this Commission, and also in the discussions which followed the publication and distribution of the report among the municipalities that certain serious difficulties of procedure were inherent in any plan which depended for its final accomplishment upon purely municipal initiative. The Government of the then Hon. Mr. Whitney, which in the meantime had been formed, recognising these difficulties, appointed, partly in obedience to the public opinion of the time, and partly from a spontaneous recognition of the importance of the water power question, a new Commission to make still further inquiries."

The Act of 1906

For some time prior to the defeat of the Ross Government, Mr. Beck had been the most active promoter of the project for supplying electrical power to the municipalities. Upon the accession to the Premiership of the Honourable Mr. Whitney and the appointment of Mr. Beck as a member of the Cabinet, rapid progress was made in bringing the project to fruition. The Honourable Mr. Beck evidently adhered to his opinion expressed at the Berlin Power Conference that the Government should control the power situation, and had so impressed the Premier and other colleagues with the advantages of such a course, that a policy of Government control was quickly adopted. Newspaper and other reports of the early part of 1906 show that an active campaign was conducted in favour of the then unannounced policy of the Government.

A conference of municipal representatives at Galt on the 23rd of March, the publication of the report of the Snider Municipal Commission on the 28th of March, the large deputation to the Government and the presentation of the report of the Government Inquiry Commission on the 11th of April, strengthened the hands of the Government and paved the way for the almost immediate announcement of the policy of Government control, the introduction and passage of the Act of 1906 and its acceptance by the municipalities.

The Honourable Mr. Ross, leader of the Opposition, raised the following objections to the Bill, when it was being considered in the Legislature on the 9th of May:

1. It would have the effect of injuring the credit of the Province with British and foreign investors.

2. By having one member of the Commission a member of the Government, it was earmarked as being purely political.

3. The municipalities should have the right to float their own debentures and raise the money required and not the Government.

4. Expenses of the Commission were chargeable against the Province and thus many parts of the Province not interested in purely local improvements had to pay their proportion.

5. The Commission should not have the right to override "The Conmee Act". "If the Conmee bill is wrong, let us sweep it off the Statute Book."

6. The theory of expropriation was unfair and unsound, and should be eliminated from the bill.

Premier Whitney, in answering these objections, stated that the Commission would be, in fact, a department of the Government responsible to the Government from day to day, and to the people from year to year; that he did not think there need be any fear that the Province would have to borrow ten millions; that he did not think there would be any expropriation, but that if there were no powers of expropriation, the bill would not be worth anything; and that all costs would eventually fall on the municipalities and not on the Government. On the following day the bill, having passed through the various stages without division, received its third reading.

During the discussion of the bill in the Legislature, its supporters do not appear to have advanced any reasons for the adoption of the principle of Government control, nor does there appear to have been any criticism or objection made by municipalities prior to or immediately following the passage of the Act. It is quite evident that the Government's policy in this respect, and the reasons therefor, had been foreshadowed and so impressed upon the municipalities interested by the public addresses of the Honourable Mr. Beck that it was unnecessary for the supporters of the bill to refer to the subject.

It was evidently considered essential that the Commission should be appointed by, responsible to, and under the control of, the Government for the following reasons:

1. To be free from the provisions of the "Conmee Act".

2. To finance most economically the undertakings for the supply of electric energy to all the municipalities by pledging the credit of the Province or obtaining advances from Provincial funds.

3. To ensure a supply of power by expropriation proceedings which would be otherwise impossible to obtain.

4. To avoid the complications and misunderstandings likely to arise if the members of the Commission were selected by the various interested municipalities.

5. To safeguard the interests of the Province which owned the water powers and was advancing funds to pay the initial cost of producing and distributing power to the municipalities.

The intention of the Act of 1906 was apparently to create a Commission, which, though appointed by the Government and under Government control, would be able, without municipal political interference, to supply power on an efficient and economic basis to municipalities desiring it. The Commission was to be a trustee for the Province as well as the municipalities, the Provincial interest being a diminishing one as the sinking funds, which are a part of the power charge, were paid yearly by the municipalities. The interest of the municipalities on the other hand became larger annually with the payment of these sinking funds.

The Act of 1906 and its revised version, the Power Commission Act 1907, may be regarded as the original charter of the Hydro-Electric Power Commission of Ontario, as it exists today. The Conservative administration returned to

office in the general election of 1905, held the reins of government continuously until the fall of 1919. Sir James Whitney was Premier from 1905 until his death in 1914, when he was succeeded by Sir William Hearst. The Drury Government during its four years of office did not attempt to implement by legislation any fundamental changes in the general scheme of the Power Commission Act, but it did attempt to pass upon the general policies of the Commission and to assume a fuller measure of governmental responsibility as evidenced by its refusal to endorse the Hydro-Radial policy of the Commission.

In view of the continuous and rapid growth in the activities of the Commission, and in view of the fact that the government which brought it into being held office for the first thirteen years of its existence, one might expect that the broad general principles upon which the first Power Commission Act was founded would have survived. As a matter of fact, insofar as legislation is concerned, the general tenor of the Act and the relations between Province, municipalities and Commission, undoubtedly appear to the casual observer substantially the same today as in the Act of 1906, but when one reads the press clippings of the period and the announcements of government policy from time to time, and analyses the force of the multitude of amendments to the original Act, and the mass of general and special legislation indirectly affecting the general provisions of the Power

Commission Act, one is convinced, not only that the Legislature which passed the first Power Commission Act could never have contemplated the relations as they exist today, but that the wonder is that the Act was not swept off the Statute Books ten years ago.

At the time of the passage of the original Act and until the year 1914, the Chairman of the Commission was a member of the Cabinet. "In this arrangement and throughout the Act, Government control is obviously the intention", states Allan M. Dymond, K.C., Law Clerk of the Legislative Assembly in 1922, in a memorandum on Legislation relating to the Commission on the files of this Commission. The fact that the Chairman, (and the Executive head in every sense), of the Commission was a member of the Legislature and of the Cabinet was intended to assure the responsibility of the Legislature and of the Government for any action taken by him in directing the affairs of the Commission. Nevertheless, this period witnessed possibly the gravest crisis which the Commission has experienced since its inception. It is apparent that Sir James Whitney was by no means satisfied with the statutory relations between the Government and the Commission.

Government Bill of 1911

In February 1911, the Prime Minister introduced a bill in the Legislature to take away the control of the power

enterprises initiated by the Commission and vest it in the Ontario Railway and Municipal Board. "There is some doubt", said the Prime Minister, "as to whether the jurisdiction over the Power Commission system should rest with the Hydro-Electric Power Commission or should be under the control of the Railway and Municipal Board." (Globe, 3rd February, 1911). Evidently strong pressure was brought to bear upon the Government because when the bill came up for second reading, the Prime Minister asked that it be allowed to stand on the Order Paper indefinitely, explaining that, "I am not disposed to press the Bill in its present form ..... because whatever its present form may be, there are several provisions which experience has shown the necessity of being added." (Globe, 3rd February, 1911).

The Department of Power, 1911-12

In October of the same year, Sir James Whitney, in making the announcement of the date of the Provincial Election, issued an address to the electors in which he said: "In our opinion the time has come when, having regard to the conduct of public business under our system, the Hydro-Electric Power Commission should be discontinued and a new Department of Power created which could take charge of this great work, and the head of which should be a Cabinet Minister."

According to Mr. N. W. Rowell, speaking after the election campaign, "The Legislature was prematurely dissolved and the people of the Province were put to the expense of a general election to pass on this question." (Globe, 12th January, 1912).

extraordinary initiative by the Commission and that it is the Ontario Building and Construction Trades. "Every is right right", said the Prime Minister, "so do whatever the Jurisdiction over the power generation system really rest with the Ontario-Quebec Commission so could be under the control of the Building and Construction Trades." (Globe, and Mail, 1971). Premier Davis promised to have a meeting in two weeks to discuss the bill dealing by the Ontario Legislature, Premier Davis said in a speech to the Ontario Trades Council, 1971: "Everything that is allowed to stand in the Ontario Legislature, Premier said. "I am not ashamed to point out that it is the Ontario Trades Council, Premier Davis said. "Some characters are greatly for our So. There are several provisions which emphasize the rights of being added." (Globe and Mail, 1971).

The Department of Labor, 1971:

In keeping at the same time, the Ontario Federation meeting the amendments of the Ontario of the Ontario Legislature. Issued no matters so the standpoint in which he said: "We can objects the time has come now, having regard to the rights of public business value are taken, the Ontario-Ontario Commission also should be strengthened and a new Department of Labor matters would take charge of this great work, but the need of which should be a Cabinet Minister."

According to Mr. D. Barrett, operating after the Ontario Commission, "The Legislature was dramatically violated and the people of the Province were put to the expense of a general election at the time on this question." (Globe. Mail, 1971).

Exactly one month after its return to power, the Government announced that the proposal to create a Department of Power had been abandoned.

Relation between Commission and Municipalities

Under the Act of 1903, there was absolutely no Government control or interference, the Act being in effect one merely to extend the powers of municipalities beyond those given by the Municipal Act. A municipality or a group of municipalities was authorized, through a Commission in the appointment of which the Government had no voice, to obtain a required supply of electrical power without any financial support or assistance from the Government. The relationship of the municipal corporations to their Commission, if such were appointed under the Act of 1903, would, from one point of view, be the same as under the Act of 1906 and the present Act, because in each case the Commission occupies the position of quasi-trustee for the municipalities. Under the Act of 1903, however, the municipalities alone were beneficially interested in the trust estate, and under the Power Commission Acts, the Province also has a beneficial interest, and the Commission occupies the position of quasi-trustee for the Province as well as for the municipalities.

The powers of the Commission in respect of the regulation and control of municipal action and operation have, as before noted, been greatly extended by various amendments to the Act of 1906, and it may safely be assumed that if the Commission is

removed from all control of, or connection with, the Government, the same regulation and control of municipal action and operation would be exercised by the Commission, and possibly more autocratically than at present when the approval of the Lieutenant-Governor in Council is required for some of the dealings between the Commission and the municipalities.

Relation between Commission and Province

Amendments to the Power Commission Act, since 1906, have not increased or tightened the control of the Commission by the Government. On the other hand, the tendency has been to loosen this control and to make the Commission a far more self-regulating body than either the original Act contemplated or Sir James Whitney suggested when in the debate upon the bill he stated that the Commission would occupy the position of a Government Department.

The financial relationship between the Commission and the Province has changed very materially between 1906 and 1923. Under the Act of 1906, the Lieutenant-Governor in Council was authorized to raise by way of loan on the credit of the Province the funds required for the work of the Commission. These funds were to be paid over to the Commission and audited and accounted for in the same manner as the public accounts of the Province. Under the general law then applicable, appropriations were voted annually by the Legislature to meet the estimated requirements of the Commission for the ensuing year. These appropriations could not be exceeded and lapsed if not paid over during the year for which they

were made. The Commission was required to pay over to the Provincial Treasurer all monies received by it from municipalities, railway and other companies under the Act. It was thus in the same position as the Departments of the Government.

Under the present Act the provision as to the Lieutenant-Governor in Council raising funds and paying same over to the Commission remains practically the same as under the original Act, but amendments have provided for the payment over to the Commission of appropriations upon requisition of the Chairman of the Commission in such amounts and at such times as shall be stated in the requisition and direction, notwithstanding anything in The Audit Act contained. The Commission now has the right to issue its own bonds and may obtain a Provincial guarantee of such bonds. It may also obtain a Provincial guarantee of contracts dealing with the purchase of shares or other securities.

The Commission does not now pay over to the Provincial Treasurer all monies received by it, as required by the Act of 1906. The Commission applies its income to operating expenses, the setting up of reserves, etc., and only the sums received by the Commission on sinking fund account are required to be invested in Provincial securities and delivered to the Provincial Treasurer. It also provides for the annual payment of interest on the indebtedness of the Commission to the Province for monies advanced.

Under the original Act the Province may be compared to a bank, lending money to a customer at its discretion, with the provision that all income from the business of the customer be paid to the bank to reduce the loan. Under this arrangement

the Government of the day would be kept fully and continuously informed of the financial operations of the Commission.

The situation is different now. The Province still acts as the banker, by providing the funds, but the Commission only pays to the Province monies representing interest and sinking fund, and consequently there is less control than formerly. This condition of reduced control places on the Commission an additional responsibility for the amounts expended have become so large and the work of the Commission so great that it is difficult for the Legislature to know, unless fully advised by the Commission, whether the expenditures are wise or not.

PRESENT RELATIONS

The Hydro-Electric Power movement in Ontario was originally founded upon the co-operative action of a number of municipalities in Western Ontario. This co-operation had its active inception under the direction of what was originally known as the "Western Ontario Power Organization". The name of this association was changed in 1906 to "Western Ontario Niagara Power Union".

Ontario Municipal Electric Association
Ontario Hydro-Radial Association

After the passage of the Power Commission Act of 1906, the responsibility for making the desires of the municipalities effective fell on the shoulders of the Hydro-Electric Power Commission of Ontario. The rapid and widespread growth of the movement since that date has undoubtedly been due to the energy and enthusiasm of the members and officials of the Commission, and

the movements of the day would be kept fully and continuously informed of the financial operations of the ministry.

The alternative is different when. The Treasury will act as the manager, by providing the funds, but the ministries only page in the Pictures monies expenditure incurred and itemized then, and correspondingly drawn in into monthly sum formally. This condition of reduced monthly funds is the mechanism to maintain temporarily the use monies expenditure ceiling at level the work of the ministries to plans that it is difficult for the legislature to keep, unless fully aware of the financial, nature the expenditures are also at work.

Treasury Monitoring

The Queen-Treasury Power increased in limited the politically treated upon the in-ministry ratios of a number of dispositions in Gordon Grants. This co-operation has its mutual interests under the directions of this was mutually known as the "Treasury Control Power Expenditures". The sums of this accounts was managed in line to "Treasury Control Expenditure Joint Point".

Treasury Department Electric Accountants
Public Sector-Control Controllers

After the passage of the Power Commission act of 1900 the responsibility for making the desires of the municipalities effective fell on the shoulders of the Queen-Treasury Commission of Ontario. The right and disciplined groups of the municipalities that have the undoubtedly power but to the mayor and aldermen of the municipalities of the Commission, one

more particularly the Chairman, Sir Adam Beck. The Commission, realizing the necessity of close co-operation with the municipalities concerned, has been untiring in its efforts to maintain the spirit of co-operation and interest in the undertaking. At the present time the active link between the Commission and the municipalities is obtained through the medium of the Ontario Municipal Electric Association, which includes in its membership representatives from practically all municipalities on the Niagara System and also representatives from other Hydro municipalities throughout the Province.

While having no legal status insofar as the activities of the Commission are concerned, the Commission has availed itself frequently of the help and facilities of the Association or its officers in promoting the objects of the Commission. Closely allied to the Ontario Municipal Electric Association there has of recent years come into being what is known as the "Ontario Hydro-Radial Association". The prime object of this Association is the promotion of Hydro-Electric Radial Railways in the Province, and the Commission has used this Association also in furthering its interests in Hydro-Electric Radial Railways.

In the case of the vote on certain by-laws in Cornwall, Ontario, referred to in detail in this Commission's report on the St. Lawrence System, the services of T. J. Hannigan, Esq., Secretary of the Ontario Municipal Electric Association, were used in an endeavour to defeat a measure granting extensions to the franchise rights of certain private interests. For the help thus obtained

the Commission paid the Association the sum of approximately $1,600.00. Again, in the case of the vote on the radial by-laws submitted to various municipalities in January, 1923, Mr. Hannigan was retained by the Commission to organise and speak in favour of the project. Mr. Hannigan received remuneration for his services directly from the Commission. In addition to the payment of expense accounts incurred in connection with specific work, the Auditors report that the Commission has been making annual grants to both Associations since 1918. In the report of 1920, the comment by the Auditor in connection with payments made during that year reads as follows:

> "The authority of the Commission to make the disbursements of $727.56 is open to question, while the amount of $3,281.14, charged to Hydro-Radial railway construction, made out of funds held by it for the benefit of power systems, was beyond the Commission's authority."

The nature of the advances made to these two Associations and the authority of the Commission to make such payments have been referred to in detail in this Commission's report entitled "Examination of Auditor's Reports for Period 1916-1921, Inclusive".

All public utilities depend largely for their success upon the co-operation of the general public. In a private venture, promotion carried on by a campaign of propaganda often produces the desired results. The adoption of similar methods by public bodies may be viewed in a different light. There is always danger that when public associations, representative of any group carefully organized and directed, are used as agencies for carry-

the Commission paid the necessities for one of electricity 21,320,00. Again, in the case of the view on the vessel 40-item submitted to various municipalities in Ontario, 1972, air-traffic was restored by the Commission to expected and again in favour of the people. Dr. Hunsden received unnecessary the air passenger already from the Commission. In addition to the number of carrying overseas tourists in connection with electricity, the authority report that the Commission was been making great strides to help accomplishing since 1971. In the report of 1972, the account of the authority in connection with physicians making during that year reads as follows:

> "The initiation of the Commission to make the distribution of 27,68 is open to question, while the account of 21,321.16, charged to Public relief construction, made out of funds paid by it for the benefit of power systems, was beyond the Commission's authority."

The history of the authority cause to share its alterations and the ownership of the Commission to order into implement have been tendered to in detail in this Commission's report entitled "Examination of Auditor's Report for Period 1969-1971, Inclusive".

All public utilities depend largely the their revenue upon the co-operation of the general public. In a private venture question arrived on of a company of particular utility whose the revised results. The adoption of similar methods by public bodies may be viewed in a different light. There is always danger that very public activities, particularly of an commercially regulated and element, are used as excuses for making

ing on campaigns of this nature, they may become a combination in restraint of free municipal or government action.

It is more difficult to reconcile such procedure with the principles of free government when the cost of such campaigns are met in whole or in part out of the public Treasury. The use of public funds in the promotion of any undertaking marks the project as having the support of the Government. The citizens of Ontario should not permit the expenditure of the funds of the Province for such purposes, for it is highly improper that public monies should be spent to direct or influence public opinion.

It is, however, quite proper for the Commission to advertise the benefits of Hydro-Electric power, and within reasonable limits to solicit business and promote the growth of the movement. The Act provides that certain expense incurred by the Commission in the promotion of business shall be met by the Government, and, though this provision was necessary at one time, the movement has passed the pioneer stage, and this expense should now be a direct charge on the undertaking as a whole. As the municipalities directly benefit from any increase in business, they should pay the costs incidental thereto.

It is difficult to define the means which the Commission should use to promote business. The Commission is a public body, acting in a quasi-trustee capacity for the municipalities and the Government, and, as such, should not use as paid agents, individuals or associations representative of any particular group of municipalities. It is desirable that the Hydro movement should be kept free from anything savouring of partisan-

ing an employee of this system, they may cause a vacillation in respect of this sensitive or government action.

It is more difficult to remember such prescriptive principles of form government when the very of such employees are men in whole or in part out of the public treasury. The sum of public funds in the properties of our municipalities may be buried the support of the Hydro. The activity of Ontario should not permit the responsibility of the Hydro-of-Ontario for such purposes. For it is simply improper that public monies should be spent to direct or influence public opinion.

It is, however, quite proper for the Commission to advertise the benefits of Hydro-Electric power, and within reasonable limits to explain its policies and promote the growth of the systems. The act provides that certain expenses incurred by the Commission in the promotion of business shall be met by the Hydro. Yet, though this provision was intended to mean this, the mayors the power the finance might, and did employ this to a direct advantage on the debentures on a basis. In the municipalities directly benefit from any increase in business, they should pay the extra incurred charges.

It is difficult to define the boundary where the Commission should cease to promote business. The Commission is a public body, acting in a quasi-trustee capacity for the municipalities and the Government, and, as such, should not use its funds, initiative or present claims representation of the particular group of municipalities. It is something more the Hydro

ship or politics. While the Commission has a distinct duty to the municipalities which it serves, it also has a duty to the municipalities which it does not serve, representative of about 40% of the population of the Province, and it should be always borne in mind that the credit of the latter is being pledged to exactly the same extent as that of the former, when the Province makes advances and guarantees to finance the undertakings of the Commission.

The general relations existing between the municipalities, the Commission and the Province have been the subject of heated controversy for several years. It has been pointed out, on the one hand, that the Whitney administration, and more recently the Drury administration, sought at different times to ensure a higher degree of Government responsibility and a more firm control of the Commission by the Government. On the other hand, there has been a strong movement, purporting to emanate from the Hydro municipalities, in favour of a Commission appointed by the municipalities independent of Government control. The latter movement is not a new movement. Allan M. Dymond, K.C., Law Clerk to the Legislative Assembly for more than a decade, and as such intimately familiar with legislation affecting the Commission, remarked in a memorandum of Legislation prepared for this Commission:

> ".... over and over again schemes have been propounded looking to the representation upon the Commission of the municipalities who are interested to so large a degree financially in its work. Up to the present time, no satisfactory method has been devised and no satisfactory principle laid down upon which this could

be done. If representation upon the Commission were to depend upon the quantity of power taken, for example, the larger cities would be represented to the exclusion of the smaller municipalities and jealousy and mistrust would be the inevitable result; and any other plan would be absolutely unfair and unreasonable."

Resolution of Association, April 1923

At a meeting of the Ontario Municipal Electric Association in Hamilton on April 4th, 1923, a resolution was passed reading as follows:

"That this meeting of representatives of the municipalities of the Niagara System engaged in the development, transmission and distribution of electric energy as a municipal undertaking desire to place ourselves on record as believing the time has come to take such steps as will relieve the Provincial Government from all financial responsibility and place the administration and control of the Hydro-Electric System in the hands of the municipalities who are owners and are financially responsible for the undertaking."

The proposals made in this resolution, if carried into effect, would radically change the very principles upon which the Hydro-Electric power movement in Ontario was founded. It is apparently the intention of the resolution that the municipalities shall assume all financial responsibility in respect of expenditures made by the Commission. If this were so it would naturally follow that all monies required in respect of further work undertaken by the Commission would require to be advanced directly by the municipalities to the Commission, and that the Province would be entirely free from further cash advances in respect of such works. In the second place the resolution proposes that the entire administration and control of the Hydro-Electric Power Com-

be done. If representations upon the Commission were to depend upon the quantity of power taken, for example, the larger mining users of electricity in the analysis of the existing consumption and industry and electrical so the Commission would and up other plan would be absolutely unjust and unreasonable."

Repeating of inequities, April 1924

At a meeting of the Ontario Municipal Electric Association in Hamilton on April 4th, 1924, a resolution was passed reading as follows:

"That fair working of regulations of the municipalities of the Province depends on the actual, transmission and distribution of electric energy as a municipal undertaking and that in view of the fact that the time has come to take such steps as will relieve the financial responsibility from all municipal electric utility and place the administration and control of the municipalities for the benefit and the municipalities who are taxed and are financially responsible for the management."

The principle made in this resolution, if adopted into effect, would radically change the very foundation upon which the Hydro-Electric power commission in Ontario was founded. It is apparently the intention of the initiation that the municipalities should assume all financial responsibility in respect of municipal loans made by the Commission. If this were so, it would materially reduce the risk attached to payment of contracts under taken by the Commission would require an increased discount by the municipalities to the Commission, and that the profits would be entirely free from further cash obligations in respect of such works. In the second place the municipal officers have had the entire administration and control of the Hydro-Electric Power Com-

mission be placed in the hands of the municipalities and that the Government be relieved of all responsibility in the appointment and control of the Commission. It is also to be noted that according to the wording of the resolution the Association named the municipalities as owners of the whole undertaking as it exists at the present time.

Public Hearing, April 1923

In view of the important nature of this resolution and of the statements made by officials and members of the Association at the meeting above referred to, a public hearing was held in reference to this matter. Accordingly all Hydro municipalities in the Province were given an opportunity to attend a public hearing which was held in the Parliament Buildings during the month of April. The questions to be discussed were set forth clearly in a circular letter, a copy of which was sent to approximately three hundred municipalities throughout the Province. The letter read as follows:-

"I am directed to inform you that this Commission has arranged for a public hearing in the Reception Room, Parliament Buildings, Toronto, on Tuesday, 24th inst., at 10.30 A.M. for the purpose of inquiring into and hearing representations in respect of the relationship now existing between the Government of Ontario, the Hydro-Electric Power Commission of Ontario and the Hydro-Electric Municipalities in this Province.

The Commission especially desires to have the views of representatives of the Municipal Councils and Hydro-Electric Municipal Commissions on the question as to whether or not the Hydro-Electric

Power Commission of Ontario should be free from the control of the Provincial Government and made directly responsible to the municipalities, also as to whether or not the financial responsibility of the Government in respect of Hydro-Electric undertakings should be borne directly by the municipalities concerned, and whether or not any other changes in the relations with the Government should be made.

For your information please note that the Hydro-Electric Power Commission, certain officials of the Ontario Municipal Electric Association and others have been asked to be present at the Hearing. Please bring this matter to the attention of your municipality so that if desired a representative may be appointed to be present at the Hearing.

As already stated, the Hearing will commence at the time and place mentioned and will probably continue during the following days in that week. Please be good enough to advise me by return mail the names of those persons, if any, who will appear on behalf of your municipality, and on what dates they can be present, so that arrangements may be made for placing their names on the Agenda."

Thirty-seven witnesses, representing twenty-three municipalities, appeared before this Commission at its public hearing in response to the invitation. Sir Adam Beck and the members of the Commission were also given an opportunity to express their views. Sir William Hearst, Sir James Wood, Mr. Stewart Lyon and several representatives of the Toronto Board of Trade were also present. A more representative gathering can hardly be imagined. The hearing consumed three days and more than three hundred pages of evidence were recorded. Certainly the municipalities of the Province have never had a like opportunity of presenting their views to a quasi-judicial independent body since the initiation of the Hydro-Electric movement.

The two subjects rising out of the resolution of the Association, upon which the witnesses were requested to express their views, were:

1. The placing of "the administration and control of the Hydro-Electric System in the hands of the municipalities", and

2. The relieving of "the Provincial Government from all financial responsibility" and its assumption by the municipalities.

A careful examination and analysis of the evidence demonstrates that there is no substantial demand for any change either in the constitution of the Board of the Commission or in the existing financial relations. The view of John Marshall, of Dunnville, that "the members of the Commission should be all appointees of the Government", and that the municipalities "could not take over the financial responsibility" was supported in the main by more than two-thirds of the delegates. Ev. 4989 Ev. 4986

On the other hand, Mayor Maguire of Toronto, who purported to speak on behalf of the Ontario Municipal Electric Association, of which he is President, had the support of only four delegates in stating that:

> "After reviewing the success of the different municipalities we came to the conclusion that this matter is being made a political football, and as trustees for the people, we felt that the time had arrived when we should divorce it from the Provincial Government .... you will see the absolute absurdity of the statement that the Government have carried the financial responsibility." Ev. 4960

The majority of the representatives at the hearing were willing to concede the principle of municipal representation upon the Commission, provided some satisfactory scheme of re-

The two employes giving out of the resolution of the
Association, upon which the witnesses were examined in behalf
their views, were:

1. The planning by "the administration and execution
of the Qatar-Gharbia Dryden in the terms of
the municipalities", and

2. The reliance of "the investment department
all financial responsibility" and its examination
of the municipalities.

A careful examination and analysis of the evidence
demonstrates that there is no substantial grounds for any change
either in the constitution or the duties of the Administration or in
the existing financial relations. The view of Qatar Kamouni, of
Tanantilly, that "the control of the Commission should be all
appointed of the Government", and that the municipalities
"could not take over the financial responsibility" was strongly-
ed in the main by many time ago-attacks of the Ministry.

On the other hand, Hoyor Mamlu of Qatarto, who
performed in place on behalf of the Director Imaldjel Ministry
Association, of which he is President, and the majority of only
four delegates in meeting stated:

"After reviewing the document of the Ministry
municipalities we note in the memorandum that
this matter is being made a political Tawkeel,
and as treated for the people, so that the
time that exists when we should Ministry is then
the financial department.... The will not the
effective charging of the expense that the
Government have written the financial responsibility."

The majority of the representation or the Bearing
were willing to change the principle of municipal representation
upon the Commission, private that municipal members of the-

presentation could be evolved. Inasmuch as almost every speaker commented upon the difficulties inherent in any such scheme, and inasmuch as its strongest advocates declined to outline any practical plan of representation, it would appear that the opinion of Allan M. Dymond, K. C., quoted on pages 60 and 61 hereof, must, for the present at any rate, be accepted.

FINANCIAL RELATIONS

While the Hydro-Electric power movement in Ontario has undoubtedly found general favour with the people it has been found that there exists many misconceptions as to the real financial responsibility in respect of the expenditures made by the Commission. The feeling that the municipalities of themselves are entirely responsible for the monies expended by the Commission and that the Province as a whole, represented by the Government in power, is only nominally interested in the undertaking, seems to be the general impression. Accordingly, at the public hearing described in the preceding section of this report, Mr. H. E. Guilfoyle, of the firm of Messrs. Clarkson, Gordon & Dilworth, the Auditors of the Commission, was called and asked to submit a statement showing the cash advances, guarantees and other expenditures made or given by the Province in respect of Hydro-Electric undertakings since the incorporation of the Commission. The statement submitted in accordance with this request was in total to the period ending March 31st, 1923, and is included herewith on page 66.

STATEMENT

(Submitted by Mr. Guilfoyle at Public Hearing, April, 1923)

Cash advanced by the Province of Ontario to the Commission up to 31st March, 1923		$107,282,799.90
Made up as follows:		
Chippawa Power Development	$62,025,023.42	
Essex System	22,000.00	
Niagara & Other Systems	45,238,776.48	
In addition to the above, bonds were guaranteed by the Province as follows:		
Ontario Power Co'y Bonds	23,091,000.00	
Bonds of Commission issued to purchase Essex System	226,000.00	
Bonds of Commission issued to purchase Thorold System	100,000.00	
Debentures of Toronto Power Company guaranteed by the Commission and consent of the Commission, guaranteed by the Province	12,383,851.95	
6% Bonds of the Commission re "Clean-up" Deal	619,000.00	
Bonds issued by Commission re purchase S.W.&A.Ry.	3,000,000.00	
Bonds issued by Commission re purchase of capital stock of Toronto & York Railway and Schomberg Railway	2,375,000.00	
Bonds issued by Commission re Port Credit & St.Catharines Railway	1,200,000.00	
Bonds re Central Ontario System	12,117,708.78	$55,112,540.73
		$162,395,340.63
Less: Sinking funds deposited with the Provincial Treasurer and securities held by the Commission at March 31st, 1923, to be deposited with the Provincial Treasurer		
Niagara and other Power Systems	$ 2,508,919.21	
Central Ontario System	28,663.60	2,537,582.81
Net liability of the Province		$159,857,757.82

Provincial Liability for Hydro Expenditure

According to this statement, the total net liability of the Province in respect of all works operated by the Commission as of 31st of March, 1923, amounted to approximately $160,000,000. The total Provincial debt as at October 31st, 1922, was in the amount of $288,000,000, including direct liabilities of some $241,000,000 and indirect liabilities of some $47,000,000. The chart included herewith as page 37 shows the total Provincial liabilities, and liabilities incurred by the Province on account of the undertakings of the Commission and the Central Ontario System, on a percentage basis in each year from 1909 to 1922, inclusive. It is readily apparent from this chart that, of the total liabilities of the Province, 1½% in 1909, 32% in 1916 and more than 55% in 1922 is represented by advances or guarantees made to the Commission, and the Provincial expenditure in respect of the Central Ontario System.

A second table included as page 36 shows in terms of dollars the total liabilities of the Province and the Provincial liability on account of the Commission and the Central Ontario System, in each year since 1909. The rapid development of the Hydro movement in Ontario could scarcely be more graphically represented. It is to be noted that the additional liability incurred each year by the Province varies in the same ratio as the expenditures or commitments made in those years by the Commission.

Financial Liability for Court Reporters

According to this assessment, the total net liability of the Province in respect of all cases expected by the Commission as at 31st of March, 1976, amounts to approximately $145,000,000. The total territorial area as at March 31st, 1976, was in the amount of $128,000,000, including direct liability of about $041,000,000 and indirect liabilities of about $87,000,000. The above indicated diversion of funds of approximately 12 per cent from the total financial liabilities, and liabilities incurred by the Province on account of the undertakings of the Commission and the Central Ontario Systems, on a percentage basis is much less than 10% to 15%, inclusive. It is readily apparent from this table that (a) the liabilities of the Province, 12% in 1976, 12% in 1977 and 14% in 1978 in respect of advances or guarantees made to the Commission, and the financial assistance in respect of the Central Ontario System in 1976 is negligible in the overall financial operations.

A second table included on page 83 shows in terms of dollars the total liabilities of the Province and the financial liability on account of the Commission and the Central Ontario System, in each year since 1970. The model demonstrates the increase in capital expenditure in more comprehensive presentation. It is to be noted that the additional liabilities incurred each year by the Province relative to the annual increase in capital expenditure or commitments made to these years by the Commission

The statement does not include certain items of expenditure directly chargeable by the Commission to the Province under the provisions of the Power Commission Act which, by 31st March, 1923, had totalled $2,505,090.00. This amount is not recoverable by the Province from the municipalities or the Commission and is, therefore, a direct liability which must be assumed by the Province as a whole.

Summing up, the Provincial liability in respect of all Hydro-Electric undertakings may be conveniently classified as follows, (cents omitted):

1. Expenditure Chargeable Province Made by Commission not recoverable by Province	$2,525,663
2. Central Ontario System Purchased and Owned by Province; operated by Commission	12,117,708
3. Guarantees by Province Bonds issued or assumed by Commission	42,994,831
4. Cash Advances by Province Repayable by Commission	107,282,799
Total -	$ 164,921,001

Sinking Funds

The terms and bases upon which the municipalities, and, in turn, the Commission, are repaying the cost of the undertakings of the Commission can be most conveniently discussed according to the above classification.

The payments made not included certain items of municipal expenditure allocable by the commission to the provision under the provisions of the Power Commission Act which, by 32nd March, 1949, the initial 31.3.50.vol/ln. This amount is not expressly by the provisions from the municipalities or the Commission and is, therefore, a direct liability which must be assumed by the Province of Quebec.

Summing up, the Provincial liability in respect of hydro-electric undertakings may be tentatively estimated as follows, (cents omitted):

1. Accountable Commercial Profits Made by Hydro-Electric Undertakings with Commission	22,220,650
2. Capital Equity Claims Transferred and owned by Commission expressed by Commission	12,127,172
3. Guarantee of Capital Bonds issued or assumed by Commission	40,224,044
4. Loss Liability on Contracts Engaged by Commission	[illegible]
Total	[illegible]

Liability Clause

The terms and bonds upon which the undertakings, in turn, the Commission, are carrying the debt of the undertakings of the Commission may be most conveniently examined under the above classifications.

1. Expenditure Chargeable Province $2,525,663

The Commission had charged to the Provincial account the amount of $2,525,663, which represents expenses in respect of general survey work, supplying information and data to prospective customers, and advances to the Ontario Municipal Electric Association and the Hydro-Electric Railway Association. This amount, as noted above, is not recoverable to the Government and will remain as a contribution by the Province as a whole, toward the undertakings and works controlled or managed by the Commission.

2. Central Ontario System $12,117,708

The investment by the Province in the Central Ontario System, which it owns, amounts to over $12,000,000. No provision is being made for the collection of sinking fund except with respect to the investment in the Oshawa Rural lines, the Bruton Township timber limits and the Bancroft Mill, amounting to about $420,000, representing less than 4% of the total capital investment in the system. The balance will have to be provided for elsewhere. The principal amount of $8,350,000, being the 4% 10-year bonds of the Province handed to the vendors of the system, matures in 1926, and will require to be refunded. As stated in this Commission's report on the Central Ontario System, "steps should be taken to place this undertaking on a power at cost basis to be administered under the provisions of the Power Commission Act and the whole brought into line with other systems throughout the Province".

3. Guarantees by Province $42,994,831

This amount is made up of:

(a) Bonds issued by the Commission and guaranteed by the Province in respect of:

(a) Purchase of Essex System	$226,000
(b) Purchase of Thorold System	100,000
(c) Purchase of S.W.&A. Rly.	3,000,000
(d) Port Credit & St. Catharines Railway	1,200,000
(e) Purchase of Ontario Power Company	11,200,000
(f) "Clean-up" Deal: Power	619,000
Radial	2,375,000

(b) Bonds of:

(g) Ontario Power Company inclusive of bank loans	11,891,000
(h) Toronto Power Company payment of which was assumed by the Commission and guaranteed by the Province	12,383,831
	$42,994,831

The repayment of these bonds is not assured, as yet, by the adoption of any uniform sinking fund policy.

With regard to the bonded indebtedness in respect of the Essex System, the Thorold System, the forty-year 4% bonds of the Commission issued in connection with the acquisition of the Ontario Power Company, and the 4½% Consolidated Debenture Stock of the Toronto Power Company, amounting in all to $20,709,831, sinking funds are being set up, or are required to be paid, in amounts sufficient to retire the obligation at maturity.

No sinking fund is being established with regard to the Commission's issue of $1,200,000 for the purposes of the Port Credit and St. Catharines Railway, because the whole issue is being held by the Bank of Montreal, as security for a loan

3. Government Of Victoria

This amount is made up of:

(a) Amount issued to the Commission as Government of the Commission in respect of:

(i) Purchase of Yallourn Power Station	£4,000,000
(ii) Purchase of Yallourn Coal Mine	119,000
(iii) Purchase of S.E.C. Site	2,000,000
(iv) Port Phillip & Mt. Tarrawarra Railway	1,400,000
(v) Purchase of Yallourn Power Station	21,400,000
(vi) Yallourn Coal Mine	489,000
(vii) Loans	31,000,000

(b) Made up:

(i) Ordinary Loan Account	17,000,000
(ii) Liquidation of bank loans	
(iii) Victoria Power Company	13,885,000
(iv) Payment of which not required by the Commission during 1944-45	
Total	30,885,000

The requirements of bank loans is not assured, as pay-ment of the Victoria Power Company, which is not required by the Commission in 1944-45.

Old debt to the Bank of New South Wales is being kept alive by the bank at Brunswick, in respect of a loan of £1,000,000 for the Commission and Mr. Victoria Valley, whilst the bank from the Commission's share of £1,300,000 for the purchase of the Port Phillip & Mt. Tarrawarra Railway is being maintained as a security for the Commission's share of the Victoria Valley Company, amounting in all to £500,000.

Loans are being kept alive by the Commission in order to maintain conditions to verify the validity of existing loans of the Victoria Valley Company, and the debt existing between the Commission and the Victoria Power Company. The debt existing between the Commission and the Victoria Power Company is not assured, as pay-ment of the Victoria Power Company is not required by the Commission in 1944-45.

Old debt to the Bank of New South Wales is being kept alive by the bank at Brunswick, in respect of a loan of £1,000,000 for the purchase of the Port Phillip & Mt. Tarrawarra Railway.

of $500,000 negotiated by the Commission, and because the railway has never been constructed.

With regard to the balance, viz: $21,085,000, made up of various amounts maturing at different dates, about $6,700,000 or 32% will be refunded by sinking fund accumulations at maturity. This computation is subject to the conditions set forth in the Secretary's report on the Niagara System, pages 66, 67, 68 and 69. It is not intended to suggest in this connection that the Commission is required to set up sinking funds sufficient to retire these obligations at maturity; but the analysis does show the very considerable extent to which guarantees by the Province will require to be refinanced by the Province.

4. Cash Advances by Province $107,282,799

Under the provisions of the Power Commission Act, advances by the Province are recoverable by way of sinking fund instalments, including interest at 4%, in thirty-five years, i.e., by thirty instalments payable during the last thirty years of a thirty-five-year period. The Commission has collected annual sinking fund instalments on a thirty-year basis from every Hydro municipality throughout the Province except the City of Port Arthur, where a forty-year sinking fund was specially agreed upon and confirmed by the Legislature, and the municipalities on the Niagara System. Even on the Niagara System the municipalities are paying on the same basis with respect to cash advances except in respect of the expenditure on the Queenston-Chippawa Power Development, where, under the Commission's interpretation of

Section 5 of the Ontario Niagara Development Act 1917, the Commission, according to estimates submitted to our Consulting Engineer, proposes to collect sinking fund in forty annual instalments during the last forty years of a forty-five-year period. The effect of the ten-year extension of the sinking fund period upon the present annual cost of power to the municipalities and upon the interests of the Province as a whole is shown in the Secretary's report upon the Niagara System.

The statement included on page 66 shows that, to March 31st, 1923, the municipalities have contributed over $2,500,000 in respect of all works and undertakings of the Commission, represented by the advances and guarantees of the Province, totalling in excess of $150,000,000. It is apparent, therefore, that the municipalities by the payment of sinking funds have acquired to date less than a 2 per cent. interest in the whole undertaking.

The foregoing analysis is illuminating in view of the resolution of the Ontario Municipal Electric Association and some of the statements made before this Commission. The resolution refers to the municipalities as the "owners" of the undertaking. They are, of course, owners only in the sense that the man who makes a $200 cash payment on a $10,000 house and assumes mortgages aggregating $9,800 is the owner of the house. He is, in fact, the owner of a $200 equity in a $10,000 house the same as the municipalities are, in effect the owners of a $2,500,000 equity in a $150,000,000 undertaking.

The popular conception that the Commission is "trustee for the municipalities", which implies that the interests of the Government are secondary, is only a half truth. It must be remembered that as the Commission expends the funds advanced by the Government, it is therefore trustee for the Government and should as rigorously guard the interests of one as of the other. While it is true that the Commission is trustee for the municipalities, for many important things, in addition to their investment, viewing the matter purely from a financial standpoint the properties which are held in trust by the Commission represent a 98% equity in respect of the Province and a 2% equity in respect of the municipalities.

The chart included on page 37 shows that over 50% of the annual borrowings of the Province since 1909 have been required for purposes of the various undertakings of the Commission. This proportion may be expected to increase. There is certainly no doubt that the annual expenditures contemplated by the Commission will require very substantial amounts. The estimates of the Hydro-Electric Power Commission, passed at the last session of the Legislature, involved advances for works now under way or at present contemplated to the extent of about $26,000,000. Surveys and preliminary work looking to construction of a second development in the Niagara Peninsula have actually commenced, and, if this work is proceeded with, many more millions will be required during the next few years for this project alone. The development of the St. Lawrence River in particular is being discussed

by the press of the Province as an undertaking of the near future. To quote from the address of Sir Adam Beck to the officials and employees of the Border Cities Utilities at Leamington on the 26th of July last, 1923

> "If this huge enterprise can continue for another five or ten years without political interference, it will represent an investment of over a half billion dollars." (Toronto "Telegram", 27 July, 1923)

This brief review of the financial relations now existing between the municipalities, the Commission and the Province, and the suggestion of the amount of additional capital which will be required within the course of the next few years to refinance the existing works and to finance undertakings which are regarded as inevitable, leads one to the conclusion that the Province will have to carry increasing financial responsibilities and that the municipalities may find that they have a smaller equity, comparatively, in the undertakings of the Commission ten years hence than they have now. It is obvious that if development takes place on an increasing scale, the gap between municipal ownership and Provincial responsibility will naturally widen. It is only when the market has become entirely saturated with power, or when no further power sites are available or required for development, or when the sinking fund period with respect to the last capital expenditure has terminated, that the municipalities can possibly hope to acquire an unencumbered title to the works serving them.

But such speculation is purely theoretical. Fifty years ago no one could have foreseen the Hydro-Electric develop-

ments of today; fifty years hence electrical science may have rendered obsolete, the works completed in 1923. Whatever the future has in store, new discoveries will require new capital. The obstacles in the way of municipalities financing future capital construction appear insurmountable, so under the present scheme of the Power Commission Act, the Province must be prepared to finance the undertakings of the Commission. So long as this condition continues, it is not surprising that there is no widespread demand evident in the Province today for the relinquishment of Government control, either as to the assumption of the financial responsibility or as to the appointment and control of the Commission by the municipalities.

INTER-SYSTEM RELATIONS

Meaning of "System"

A "System" within the meaning of the Power Commission Act is defined by Section 23b as a group of municipalities which by their contracts have assumed the costs of the purchase of, or works for the development of, electrical energy. There are nine such systems, viz: The Niagara, the St. Lawrence, the Severn, the Rideau, the Eugenia, the Thunder Bay, the Wasdell's, the Ottawa and the Muskoka Systems.

There are, in addition, four so-called systems which are not, for one reason or another, systems within the meaning of the Act, viz: The Somewhere River Storage, the Central Ontario, the Essex and the Thorold Systems. The individual features

peculiar to the four last named systems are discussed in the separate reports of this Commission thereon. For the purposes of this section of the report, the term "System" is confined to its statutory definition and refers to the nine first named systems above.

Genesis of System Organization

The system organization arose largely as a matter of accounting convenience. The scheme of the Power Commission Act contemplates each municipal corporation paying the cost of power at "the point of development or of its delivery to the Commission", and, in addition, its proportion of interest, sinking fund, line loss, etc. There is no provision for the pooling of costs between different points of development. The contract between a municipality and the Commission provides for the assumption by a municipality of its proportion of the costs of the works serving it. Accordingly, when the Commission and the City of Ottawa negotiated the first power contract in 1907, the municipalities in mid-western Ontario shared none of the benefits and assumed none of the liabilities incidental thereto. Similarly the agreement between the Commission and the Ontario Power Company in the same year did not affect the financial relations between the City of Ottawa and the Commission. Hence arose the necessity of keeping the cost records and individual municipal accounts with respect to the municipalities served from a common source of power in separate and distinct compartments.

The division of the power undertaking of the Commission into systems did not affect the general executive control of the Commission or its relations with the municipalities. There is no executive body, charged with any delegated local authority, representing the group of municipalities comprising each system. Various suggestions have been made in the past looking to the establishment of local Boards of Commissioners in connection with each system to which the Commission might delegate a certain measure of local authority, but to date such suggestions have borne little fruit. Voluntary associations, such as the Eugenia Hydro-Electric Association, have been organized, it is true, but such bodies have no legal status and have no place in the official organization of the Commission. Each municipality in every system is in direct communication with the head office of the Commission in Toronto.

Power at Cost

There is a popular belief expressed by the well-known phrase that the Commission distributes "power at cost on an equal basis to all". This is a fundamental conception, and within the limits of nine words probably reflects as accurately as possible the general intention of the Power Commission Act. The expression contains two distinct ideas, "at cost" and "equal basis".

The bases of the cost of power are enumerated in Section 23 of the Act. The various charges for sinking fund, operation, etc., are pyramided on the cost of power at the

"point of development or of its delivery to the Commission". But the cost at the point of development or delivery differs with each system. Hence, the original cost of power on each system is variable. Similarly, the costs of transmission vary directly with the capital investment in the lines and the number of consumers between whom the annual charges in respect thereof may be apportioned. Obviously, it would be more accurate to say that the Commission distributes "power at 'System Cost' on an equal basis to all".

As a matter of fact, the cost of power on the different systems shows great variations. For the year ending 31st October, 1922, the average cost of power on each of the nine systems was as follows:

Niagara	$26.37	St. Lawrence	$41.32
Severn	30.27	Rideau	36.20
Eugenia	42.16	Thunder Bay	25.00 *
Nasdell's	44.20	Ottawa	14.00 (approx.)
Muskoka	22.09		

* - $25.00-rate charged.

"On an equal basis to all"

So long as the bases employed in computing the cost of power on each system are the same, so long will the spirit of the Hydro-Electric movement and the Power Commission Act be fulfilled. To the extent to which these bases differ, the spirit of the Act is violated and the popular conception a fallacy.

Municipalities in the northern and eastern sections of the Province have complained that they are unable to compete in-

dustrially with municipalities in the southern and western parts of the Province because of the high power rates, comparatively, that they are required to quote prospective industries. Referring to the table of average system power costs above, and disregarding the Muskoka System which serves only two municipalities, and the Thunder Bay and Ottawa Systems, which serve only one municipality each, it is evident that the average cost of power on all systems, other than the Niagara System, which serves southwestern Ontario, is from $3.90 to $17.85 or from 15% to 67% higher than the average cost of power on the Niagara System. The answer to these complaints has been that the municipalities are charged for power at cost as defined by Section 25 of the Act, and that the Commission has no authority to change the Act.

The investigation of this Commission has included an examination of power costs on each system, and the methods upon which the computations are made. The detailed results of this examination are set out in the respective system reports. Generally speaking, it is clear that, in the main, the bases prescribed by the Act for the apportionment of annual charges have been uniformly followed. Certain noteworthy exceptions, however, have been noted.

The elements entering into the cost of power are numerous. In addition to interest and sinking fund, there is the cost of line loss, and the cost of generating, operating, maintaining, repairing, renewing and insuring the works. The annual adjustment and apportionment of these charges is a very complicated process. The relative importance of these elements varies

on each system. So far as this Commission has been able to ascertain, however, the charges in respect of all these elements with the exception of interest and sinking fund have been uniformly applied. But interest and sinking fund represent two of the principal items in the cost of power. For example, according to the estimates of the Commission with respect to the combined operation of the plants at Niagara Falls, interest will represent about 69% and sinking fund about 13% of the total cost of power at Niagara Falls.

Interest

The only instance of discrimination in the matter of interest charges which has come to the attention of this Commission is in the case of interest on cash advances to defray the capital cost of the Nipigon Development on the Thunder Bay System. In this case interest was computed by the Commission on a 5% rate over a period of four years (1918-1921, inclusive) instead of at the annual rates averaging over 6% obtaining during that period on all other systems. The Thunder Bay System would have benefitted by this computation to the amount of $71,347.41. As a matter of fact, the Government refused to endorse the action of the Commission, and the system has recently been charged on the books of the Commission the full amount of interest during the period.

Sinking Funds

Under the general provisions of the Power Commission Act, municipalities are required to pay thirty annual sinking

as much power. So far as this commission has been able to ascertain, however, the engineers in charge of all major elements with the exception of instrument and climbing Tuna have been sufficiently qualified. But leaders and planning team responsible for the principal tower in the year of power. The economic analysis in the estimates of the Commission will undergo an complete operation of the plants as shown. Interest will represent about 40% and climbing Tuna worse 32% of the total cost of power as Eugene Wells.

Interest

The only instance of electrolysis in the waters of Lavaret Amstrong [illegible] Lone to the attention of this commission is in the case of interest in such ultimate is during the capital cost of the Eighne Tunnel. In the Tunnel the [illegible] in this case interest was computed by the commission on a 6% rate over a period of five years (1951-1956). Interest lessen at an the annual rates averaging over 6% obtained during that period on all other expenses. The Tunnel the entire crisis case been- [illegible] by this computation to the amount of $3,487,000. In a matter of fact, the Government [illegible] the period of the Tunnel, not the entire [illegible] period of the Tunnel is the [illegible] interest during the period.

Electric Power

Under the general provisions of the Power Commission act, municipalities are required to pay [illegible] electric

fund instalments, covering the last thirty years of a thirty-five-year period, as part of the cost of power, to repay the advances of the Province in respect of the cost of the works serving them. This provision of the law was followed on all systems prior to 1917; subsequent to 1917 it has been complied with on seven of the nine systems. The exceptions are the Thunder Bay System and the Niagara System.

With regard to the Thunder Bay System, a forty-year sinking fund basis was agreed upon, bona fide, between the City of Port Arthur and the Commission. The Commission's standard form of contract was altered accordingly, and the by-laws and contracts were confirmed by the Legislature. It was common knowledge that the only other municipality on the system, the City of Port William, was under contract to take power from a private company until 1926, and in view of the relatively heavy capital investment contemplated at Nipigon, it was felt that an exception to the general rule might well be made. There is no doubt that the extension of the sinking fund period amounted to discrimination, but the discrimination was made openly, and probably under all the circumstances justified.

The situation on the Niagara System is more complicated. It is reported upon in detail in Part two of the "General Economics" section of the Secretary's report on the Niagara System. It is sufficient for this report to quote two salient paragraphs:

"According to the computations of this Commission's Accountants, the annual amounts collected in respect of sinking fund from municipalities on the Greater Niagara System on the capital investment as at 31st October, 1922, on the 40-year basis, or other bases employed or proposed as set out in the summary on pages 66, 67, 68 and 69 will amount to $1,626,449; whereas, if the total capital investment were being repaid over the 35-year period contemplated by the Power Commission Act, the annual provisions on the capital investment as at 31st October, 1922, would amount to $2,436,800."

"The municipalities on the Niagara System will, on the completion of the Queenston-Chippawa Power Development and the expiration of deferment periods, benefit from the extended sinking fund periods fixed by the Commission to the extent of almost $800,000 annually."

The extension of the sinking fund period on the Niagara System entirely upsets the fundamental equality supposed to exist among systems, which the Hydro-Electric movement contemplated. The capital investment in the Greater Niagara System represents 80% of the capital investment in all of the undertakings of the Commission. The power supply to this system is practically four times as great as the total combined loads of all other systems and the average cost of power is from 17% to 63% lower than the cost to other systems. Once admitted that the Commission distributes "power at cost on an equal basis to all" except on the Niagara System, it follows that the popular conception applies to only a relatively small proportion of the works of the Commission. In reality, then, this extension of the sinking fund period means that power is not supplied "on an equal basis to all", but that special consideration is shown to the Niagara System which least requires it, while less prosperous systems are made to adhere strictly to the terms of the Power Commission Act.

Relations between Commission
and non-Hydro Municipalities

A discussion of General Relations would not be complete without reference to the relations existing between the Commission and those municipalities within the Province, representing a very substantial minority, which are not supplied with electrical power by the Hydro-Electric Power Commission of Ontario.

Broad and important matters of principles are involved in these relations. Should the Commission deliberately discriminate against non-Hydro municipalities in favour of Hydro municipalities? Should the Commission enter into active competition with an independent municipal power system within the area served by that system? Should the Commission by agreement with private companies in effect corner the power supply within a district including non-Hydro municipalities? In general, should the policies of the Commission be moulded in the common interest of all municipalities or in the special interest of certain groups of municipalities?

There can be no doubt as to the intention and spirit of the Power Commission Act in this respect. There was no suggestion when the first Power Commission Act was passed that the industrial towns of mid-western Ontario which had fathered the movement were alone to benefit by the facilities offered by the Government through the medium of the Commission. Indeed the City of Ottawa, in a remote section of the Province, was the first municipality to request and receive the services of the Commission.

Systems, once established, have been rapidly extended and consolidated. It could never have been contemplated that in the extension and consolidation of the undertakings of the Commission, there might arise conflicts between the interests of the municipalities already served by the Commission and the interests of municipalities not served by the Commission.

The whole scheme of the Act is conclusive evidence of the intention of the Legislature.

The Commission is an agent of the Government, appointed to serve each and every municipality in the Province. The members of the Commission are neither recommended nor appointed by the municipalities. The expenses incurred by the Commission in the promotion of new business, the preparation of plans and surveys and the submission of estimates and information to municipalities are chargeable to and paid out of the Consolidated Revenue Fund of the Province. Pursuant thereto more than $2,500,000 has been advanced by the Province to the Commission to meet such expenditures and the non-Hydro municipalities have contributed dollar for dollar with the Hydro municipalities to supply these funds. It is, therefore, impossible to conceive that it was intended that in the promotion of new business and in the interests of Hydro municipalities, the Commission should discriminate against non-Hydro municipalities.

As illustrating the conflict in interest between Hydro and non-Hydro municipalities, the relations between the municipalities in the St. Lawrence System, more particularly the Town

of Brockville and the Town of Cornwall; and the relations between the Town of Orillia and the municipalities in the Wasdell's System. In each case the Towns of Cornwall and Orillia, which are not Hydro towns, and the Commission, on behalf of the municipalities on the St. Lawrence and Wasdell's Systems, were rivals in the matter of certain industrial power loads.

In the one case a new and important industry was considering alternative locations in the Towns of Cornwall and Brockville. The Commission controls the supply of power in the district. The Town of Brockville, and the municipalities on the St. Lawrence System in general, stood to benefit very considerably by the location of the industry in Brockville. In the first instance, the Commission, upon request by the company for alternative price quotations, submitted rates of $27-$26 at Cornwall and $35-$31 at Brockville. Subsequently, on the strength of protests urged by the Town of Brockville and because the electors of the Town of Cornwall had in the meantime approved a by-law extending the street lighting franchise of a private company, the Commission submitted revised quotations: $33-$29 at Cornwall and $36-$31 at Brockville. The reason for the change in rates, according to the representative of the Commission, was as follows:

> "We did change the rate to Cornwall and it was on the basis of a revision of our cost on a ten-year basis instead of a thirty, and also on the basis of representation made to the Commission by the Brockville delegation that came to the office and protested that it was unfair to their municipality,

of Brownville and the Town of Cornwall; and the rivers system of the Town of Orillia, and the municipal system. In each case the Town of Brownville, the Orillia, and the Cornwall, which are not Hydro Lands, and the Brownville, the municipal of the municipalities on the St. Lawrence and Ottawa's Systems, were already in the matter of owning industrial power Lands.

In the one case a new and important industry was established Brownville Locomotive in the Town of Cornwall and Brownville. The Commission negotiated the supply of power in the matter. The Town of Brownville, and the municipalities on the St. Lawrence Canal in Brownville, agreed to secure very considerably by the Industry [illegible] in Brownville. In the first instance, the Commission, upon [illegible] by the municipal the electricity price contract, operated rates of 2½-1½ at Cornwall and 2½-2½ at Brownville. Subsequently, as the activity of Brownville by the Town of Brownville [illegible] the rates of the Town of Cornwall was in the municipal supplied a service extending the rates of a private company, the Commission [illegible] rates of 2½-1½ at Cornwall and 1½-1½ at Brownville. The reason for the change in rates, according to the representatives of the Commission, was as follows:

"In the change for rate to Cornwall and it was as the basis of a variation of the rate as a one-year basis instead of a 10-year, and also as the basis of a 10-year basis."

Presented that it was unlike to that company.

who had assumed all of the obligations in connection with the system that a municipality not having a contract nor assuming any of its obligations should be treated on the same basis."

Q.- "So there was another element in the contract?"

A.- "There was another element came in ....."

The situation is summed up by this Commission's report on the St. Lawrence System as follows:

"In addition to using, in a measure, arbitrary methods in the fixing of rates quoted to the Town of Cornwall, the Commission informed the City Council that it would be impossible for it to obtain rates for power from the Cedars Rapids Company because that company had made an agreement with the Commission that the company would not compete with the Commission in Cornwall. If this statement was true, the town was placed by the Commission in a position in which if it were to get additional power, it had to buy from the Commission at the Commission's price. This was coercion of a character seldom adopted by a public body.

The goodwill of such centres of population as Cornwall is a valuable asset to the Commission but is unlikely to be secured by the course which the Commission followed in its dealings with that municipality."

The Orillia incident took place in 1915. The Orillia Commission and the Hydro Commission were bidding for two industrial power loads in the Village of Longford Mills. The Orillia Commission applied to the Townships of Mara and Rama for authority to construct the necessary transmission lines. The former at first refused to grant the permission as requested, but the latter submitted the necessary by-law to the electors in June, and it was approved. Ten days later the Commission circularized the municipalities in the district, many of them already served by the Nasdell's System, saying in part: "We are well aware of the ability

and resourcefulness of the Orillia Commission, and while you have secured a victory in Mara, we believe it of vital importance that you should secure the repeal of the by-law in Rama", and "We believe also that the Township of Mara will appreciate that loyalty to Ontario County and the Wasdell's district is more necessary than loyalty to Orillia". This circular letter is quoted in full on pages 31 to 35 of this Commission's report upon the Wasdell's System. Suffice it to say that the Village of Longford Mills is being supplied with power by the Orillia Commission.

It appears that the Government must give some direction to the Commission as to its policies in such matters. The Commission itself is in a very embarrassing position. To take the cases in point, both the St. Lawrence and the Wasdell's Systems had suffered greatly by reason of the failure of the estimated power loads to materialize. The cost of power to municipalities on these systems was increasing. Deficits were accumulating all too rapidly. The only relief in sight was the sale of increased amounts of power. On the other hand, it could never have been intended that Hydro municipalities should prosper at the expense of non-Hydro municipalities. The Town of Cornwall can scarcely survive industrially if the Commission permanently adopts a policy of discrimination in submitting price quotations in favour of its competitors. The Town of Orillia is in a peculiarly favourable position. It owns and operates its own power plant and, accordingly, is entirely independent in power matters. And yet the Orillia Commission would find itself in grave difficulties if

the Hydro Commission saw fit to invade its field. It is apparent that in the ordinary course of the promotion of business, cases are bound to arise where the interests of municipalities are divergent and impossible of reconciliation. The onus is undoubtedly upon the Government, as representing all municipalities, to determine the limits within which the Commission should be free to act in the development of its undertakings.

It is submitted that, if the problem is approached in the proper spirit, a middle course might well be found. It seems scarcely proper to refer to the "resourcefulness" of the Orillia Commission, or to a "victory" in the Township of Mara, or to urge that "loyalty" to Wasdell's district is more necessary than loyalty to Orillia. The Commission is a public servant of the people of Ontario, and as such should not in any case employ competitive business methods to further the interests of certain municipalities at the expense of others.

S U M M A R Y

In studying the history of the Commission's activities and in reviewing the various relationships arising out of the discussion contained in the preceding sections of this report, there appear to be several questions of outstanding importance which may most properly be dealt with in this section of the report.

The particular questions referred to are discussed in the following paragraphs in the briefest possible detail, it being assumed that the foregoing sections of this report have been so carefully studied that the bases giving rise to the opinions or deductions expressed will be properly understood.

By Whom should the Members of the H.E.P.C. be appointed - the Government or the Municipalities?

A review of all the conditions leads to the belief that all members should be appointed by the Government, and indeed the majority of the municipal representatives who gave evidence before this Commission appeared to be of this opinion. As shown by this report, the municipalities have but a small equity, and the Government must continue to finance future undertakings with funds raised on the credit of the Province as a whole. The Government, therefore, should retain entire control of the Commission which expends these funds.

How Many Members should there be, and What should be their qualifications?

It would appear that nothing is to be gained by in-

creasing the number of commissioners, but, as the Commission controls one of the largest undertakings in the Dominion, it should be composed of three highly qualified men. The ideal Commission would appear to consist of a man engaged in manufacturing or other business, a lawyer, and a man having a broad knowledge of engineering and construction work. The Commission should be required to give its full time to the work and the salaries paid should be so generous that men of the highest standing in their business or profession may be secured. With men of this type giving full time service, each would have ample opportunity to study and advise on matters relating to his particular line. The term of office of the Commission should be at the pleasure of the Government, but should not be influenced by changes of Government.

Should any Member of the Commission be a Member of the Government?

The Power Commission Act now provides that one member of the Commission shall be and two may be members of the Government; this provision was probably made in the belief that the Government would be constantly advised as to the activities of the Commission by the member of the Commission in the Government. After a study of the relations between Governments and Commission since the inception of the latter, it is clear that the Governments have had no thorough understanding of the operations of the Commission, so it may be concluded that the provision of the Act has not fulfilled its purpose.

It is almost unnecessary to say that there should be so complete an understanding between the Government and the Commission, that the Government should at all times be in touch with the important activities of the Commission whether there be a member of the Commission in the Government or not, and taking all things into consideration, it would seem to be wise to have as Commissioners men entirely away from party or political interests, whose minds and hands are free to serve the Province as they think best.

Is the H.E.P.C. in close enough Touch with the Municipalities?

Representatives of municipalities have expressed the view that some arrangement should be made whereby the municipalities could more readily obtain information from the Commission or impress their views more directly on the Commission. Our inquiries show that there is need for closer relations between the systems and municipalities and the Commission and some method might be found whereby this condition could be obtained by a co-operative form of representation, though it is probable that a slight change in the point of view of the Commission would bring the same result with less effort. It is likely that the Commission, dealing as it does with so many matters of importance, neglects, not unnaturally, to pay the necessary attention to complaints which may appear of little importance to it, but are of great importance to those making them. The situation can be corrected by the Commission keeping always in mind the fact that,

It is almost unnecessary to say that there should be no complete misunderstanding between the Government and the Communists, that the Government should at all times be in touch with the important activities of the Communists whether there be a member of the Communists in the Government or not, and keeping all minor into consideration, it would seem to be best to have Communists who actually were doing work as practical businessmen where stocks and bonds are dealt in and the Tuesday is the third Tuesday.

In the U.S.S.R. in after income
Trade with the Communists

Surprisingly enough, Communists are impressed the view that some arrangement should be made whereby the capitalistic world more usually obtain information from the Communists or imposed their view more directly on the Communists. The Soviets have that there is need for minor adjustment between the systems and capitalistic and the Communists but more might be found somewhat difficult to trust whereby this activity could be performed by a co-operative form of representation, though it is probable that a middle course in the point of view of the Communists would bring the same result with less effort. It is likely that the Communists, feeling as it does with so many matters of importance, neglected, but nevertheless, if the new machinery introduced to negotiate which was manner of highly importance to us, but not of great importance to their making home. The difficulty can be overcome by the capitalistic Soviets adopted in view the fact that.

as trustee for the municipalities, it should rectify any cause for complaint no matter how small, or when unable to do so explain why it cannot.

If it be decided that the systems should have more direct connection with the Commission, this might be effected by having each system elect a representative, who would meet and confer with the Commission once a month at Toronto. Such a body should have no executive powers, but should be more in the nature of a consultative and advisory board. Each representative should bring forward at such meeting, any matter that he thinks should be dealt with. Some systematic procedure could be instituted whereby the Commission would keep the representatives in close touch with the Commission's work.

Happier relations between the Commission and the municipalities would be facilitated if the members of the Commission would more frequently confer with the municipalities rather than delegate such duties to their staff.

Government Responsibility and Control

The discussion of this question in the body of the report shows quite clearly that the Government must provide some definite and systematic means of communication with the Commission, if it is to keep itself informed as to the operations of the Commission.

A frank exchange of views as between the Government and the Commission will properly take care of matters of broad policy, but there is an immense amount of general detail in which

as treaties for the commonwealth, is almost vacuously only means for complaint on matter how small, we whom question is the as explain why it cannot.

If it be decided that the Congress should have more direct concurrence with the Commission, this might be effected by saying such action about a representative, one would have and counter with the commonwealth have a month of Parliament. That a body should have an executive power, but should be more in the nature of a consultative and advisory Board. That representative should only interest at such meeting, any minor that be taken should be dealt with. Some constitution provision ought be inserted whereby the Commission would even for representative in view been with the commission's work.

Deeper relations between the Commission and the municipalities would be identified if the members of the Commission would more frequently confer with the municipalities rather than delegate work duties to their staff.

<u>Government Investment in the Country</u>

The discussion of this question in the body of the report shows quite clearly that the Government must provide definite and systematic data on commodities with the Commission. It is to very great interest be to the development of the Commission.

A Board composed of members of the Government and the Commission will probably take over as matters of broad policy. But there is no immediate reason to conclude that in using

the Government is primarily interested, but concerning which the Governments up to the present time have had little or no knowledge. To correct this condition it would appear that the Government should have someone who would have, in a sense, charge of the dealings between the Government and the Commission. This view of the matter is strongly supported by the Auditor, Mr. G. T. Clarkson, who has on several occasions stated that in the interests of the Commission and the Government there should exist some connecting link who would facilitate and manage the routine business relations constantly necessary between the Government and the Commission. Such an officer would keep check on advances made and institute systematic records in reference to expenditures against such advances. It would be the duty of such an officer to closely examine estimates submitted by the Commission from time to time and see that such estimates conform to the requirements of the Government. Where necessary he might well be empowered to obtain expert opinion as to whether estimates are reasonable and in this connection to engage engineers or construction men to report upon them.

The Commission should be required to submit at stated intervals progress reports upon construction work, and with this information in hand, the officer in charge of matters for the Government would be required to see that sufficient funds were available under the proper votes to meet the commitments of the Commission and would be responsible for making the necessary

arrangements with the Provincial Treasurer's Department in this respect. Systematic records of this kind would also keep the Government constantly advised as to whether or not estimates were being exceeded.

It is difficult to state what qualifications such an official should have to enable him to properly discharge these duties, but it is not believed that expert knowledge in any one branch of the work of the Commission is necessary. The field is so wide and the operations of the Commission so varied, that general ability and judgment is required rather than expert knowledge in any one thing. While it may be found impossible to find anyone with a broad grasp of the general workings of the Commission, such knowledge would indeed prove of great value to an officer fulfilling the functions outlined above. It is also essential that the appointee should have general knowledge and experience relating to engineering problems and construction work.

While such an officer would naturally be in the employ of the Government and preferably attached to the Premier's office, it would not appear advisable to apply rules and regulations governing the appointment of civil servants to this position. The relative importance and responsibility of the office would compare most closely with the duties of the higher engineering executives in the Commission, and these might well be taken as a guide in considering the general conditions that should apply to the office.

Should Municipalities directly finance the Works of the Commission?

After carefully studying all aspects of this important question it can only be concluded that any departure from the present system of financing the undertakings of the Commission would be impracticable and economically unsound. This view of the matter was supported by the majority of the municipal representatives who gave evidence before this Commission. It is true that the Original Act contemplated that the municipalities should, of themselves, finance all undertakings of the Commission, but whatever merits this scheme may have, it was never put into effect and the investment of the Province in the works of the Commission has now reached such proportions that it would be almost impossible to properly distribute these liabilities to the municipalities even though such a course was acceptable to them.

From a purely economic standpoint there is little doubt that the smaller municipalities would find great difficulty in marketing their bonds at as favourable prices as those obtained by the Province. Further it is quite apparent that the economic stability of the Province as a whole depends upon the stability of its constituent parts. Therefore, in the interests of all concerned, the Province should control the financing of this great enterprise, the operations of which affect so vitally the economic interests of the people.

Special Investigation Already Closed
The Crime of the Conspiracy

After carefully studying all reports of this important case, it can safely be said so unanimously that any important even the greatest wisdom of viewing the manipulation of the Communists could be incomprehensible and unbelievable enough. This view of the author was adjusted to the majority of the analytical requirements was just minimum before this examination. It is true that the typical lot concerning what the municipalities needs, of varieties, Simons all understands of the Communism, but matters merely also always only here. It was never yet into effect and the interests of the Russian in the years of the Communism has our remedy and [illegible] that it would be almost impossible to properly distribute their identities to the municipalities and change such a system was impossible in them.

Even a purely economic analytical term is little surely when the secular municipalities would find great difficulty in anything their work as we investigate prices on based theoretical by the practice. Further it is quite apparent that the economic stability of the Russian is a very dangerous upon the security of the Communist party. Therefore, in the interests of all concerned, the Russian should support the transaction of this great enterprise, the operations of which affect so vitally the economic interests of the people.

Does Equality exist in Respect to all Systems?

Consideration of this question is best illustrated by reference to report on the Niagara System, in which document the matter is dealt with in detail. The subject is also referred to generally in a previous section of this report entitled "Inter-System Relations".

Our report on the Niagara System states:

> "Generally it may be stated ... that two outstanding principles have always been recognized as applying to power undertakings of the Commission. These are as follows:
>
> 1. That power is sold at cost on an equal basis to all municipalities, irrespective of the system to which they belong.
>
> 2. That the municipalities acquire a complete equity in all works of the Commission in a thirty-year period."

It has been clearly shown that this condition no longer obtains and that by reason of special legislation and on account of special powers granted to the Commission, the Niagara System is receiving special treatment and the smaller and less prosperous systems are being discriminated against.

Equality is one of the most important principles of public ownership, and it is hard to believe that the Commission has fully realized the inequalities brought about by its policies in respect to the Niagara System. Fortunately the matter can be adjusted and all haste should be made to restore conditions to a basis that will be equitable to all systems.